NATIONAL SECOND MORTGAGE ASSOCIATION

SECOND MORTGAGE STATISTICAL SURVEY FOR THE YEAR 1984

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SECOND MORTGAGE SURVEY

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ABSTRACT

This report analyzes the responses of National Second Mortgage Association (NSMA) members to requests for information on the Association's annual questionnaire. Responses to the questionnaire which were received by early August, 1985, are included in all the statistical results presented here. The two (unedited) questionnaires received in mid-August are included in approximately one-half of the tables, while the two responses received at the end of August and early September are included only in the summary totals (shown in Table 2). While not all NSMA members provided data, the questionnaire data show that the 64 respondents held $17 billion in second mortgages outstanding at year-end 1984, and serviced an additional $1.4 billion. Thus, questionnaire respondents accounted for most of the $20 billion in second mortgages outstanding and serviced reported on NSMA members' application and dues vouchers in 1985.

The questionnaire data show that growth in the second mortgage market continued in 1984, as the typical respondent reported a growth exceeding 13% in year-end net outstandings and 9% in the value of originations over 1983. Analysis of more detailed data provided on the questionnaires shows that most of the growth in second mortgage outstandings in 1984 resulted from the fact that originations exceeded repayments. While the average size of second mortgages originated typically increased by at least 5%, most lenders originated a few less second mortgages in 1984 than in 1983. However, there was substantial variation among lenders - as mortgage bankers and large finance companies affiliated with commercial banks typically originated substantially more second mortgages in 1984 than in 1983.

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In addition to data on second mortgage loan balances, originations, sizes and growth, the questionnaire data provided useful insights into second mortgage renewals and cash liquidation rates, second mortgage loan terms, secondary market activity, loan delinquencies, losses and chargeoffs, and the profitability of second mortgage lending. The data also provided useful insights into second mortgage pricing, the use of private mortgage insurance, foreclosure and chargeoff policies, and adjustable rate, balloon, revolving and indirect lending.

As has been true in the past, the data indicate that NSMA members losses on second mortgage lending generally were quite low. In fact, most NSMA members foreclosure rates and delinquency rates were lower than in 1983. Typical foreclosures were only slightly more than one-third of one percent (down from one-half of one percent). Also, net chargeoffs were little more than half as large as foreclosure rates. Furthermore, total second mortgage delinquencies (of over 60 days) were typically 1½%. However, in spite of the good overall statistics, some lenders experienced serious loss and delinquency problems in 1984.

Overall, except for those lenders who incurred excessive losses, second mortgage lending was highly profitable for most lenders in 1984. The reason was that, in general, second mortgage lenders' costs of funds were substantially lower than their average portfolio yields in 1984. This was true even though downward pressure on second mortgage loan rates was quite evident in all states.

Other key data show that second mortgage cash liquidation rates averaged between 25% and 30% at most lenders. Liquidation rates unadjusted for renewals were somewhat higher, ranging from 22% to 38% or more at most lenders. Unadjusted portfolio liquidation rates were highest for institutions that refinanced a large number of loans and for institutions that sold many loans in the secondary market.

The experience of second mortgage lenders varied widely among lender groups. Each reader will need to consult the detailed data compiled by lender groups in each of the tables to analyze the experience of the lender groups in which he or she is most interested. Separate data are reported for mortgage bankers, savings associations (including mutual savings banks), commercial banks, bank-affiliated finance companies with large holdings

of second mortgages, bank-affiliated finance companies with smaller holdings of second mortgages, non-bank finance companies with large holdings of second mortgages and non-bank finance companies with smaller holdings of second mortgages.

Second mortgage growth, loan size, delinquency and foreclosure experience also varied widely across states. The final section of this report describes interstate differences in second mortgage lending.

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I. OVERVIEW

This study is part of a continuing series of studies that the National Second Mortgage Association (NSMA) has conducted of its members in order to obtain as much information as possible about the nature of the second mortgage market. The first study was conducted in 1978 by Peat, Marwick and Mitchell. Subsequently, the present author worked with the National Second Mortgage Association and the Credit Research Center to send questionnaires to NSMA second mortgage lenders in 1979, 1980 and 1981. Summary reports compiled from those questionnaires were published by the Credit Research Center as Working Papers No. 33, 39 and 42 - which are available at a price of $6.00 each (plus first class postage if prompt delivery is desired) from the Credit Research Center of Purdue University. The 1982 and 1983 studies also were prepared by the present author. Back copies of those studies are available for $10.00 each (with no postage charge) from Texas Tech University's Institute for Banking and Financial Studies, Lubbock, Texas, 79409. The 1984 report, as was the case in years past, has been prepared for distribution by the National Second Mortgage Association to its members.

The data analyzed in this report were obtained from NSMA members responses to a questionnaire mailed in mid-1985. All NSMA members were mailed detailed questionnaires to complete and return to the National Second Mortgage Association (a copy of the 1985 questionnaire is contained in the Appendix).

With the exception of Table 2, which also contains data compiled from NSMA membership application and dues voucher forms, the data reported in the paper were obtained from those questionnaires. In order to facilitate comparisons with previous years' data, this report uses the same outline and essentially the same table format as last year's report.

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This year, a total of 64 NSMA members returned the questionnaires. The data provided in the returned questionnaires provided valuable insights into the nature of growth in second mortgage originations and outstandings; second mortgage loan sizes and terms; second mortgage loan refinancings; liquidations and cash flows; the use of private mortgage insurance on second mortgages; secondary market participation by NSMA members; second mortgage delinquency ratios, foreclosures and chargeoffs; and factors affecting revenue sources and the overall profitability of second mortgage lending.

Due to improvements in the questionnaire and considerable care taken by most of the respondents, the data reported in the 1984 and 1985 questionnaires are far more comprehensive and should be more reliable and useful than data reported before 1982. Reporting accuracy was particularly good for large finance companies.

However, there were still some reporting problems associated with the survey. Many companies were unable to provide detailed data on a state-by-state basis, and many did not provide complete data on foreclosures, delinquencies and other factors affecting their profitability. Consequently, some of the reported data are not as comprehensive or detailed as might be desired. This was particularly the case since a number of reporters were unable to isolate data (such as delinquencies, foreclosures or revenues) relating solely to second mortgages from their other operating data. This caused some responses to be omitted as either no data were provided or the author concluded that the data provided were either unreasonably large or unreasonably small.

The remainder of this report summarizes data obtained from the 1985 NSMA questionnaire. The data relate to outstanding second mortgage stocks as of December 31, 1984, and to second mortgage transactions during 1984. Because of the distinct nature of different financial entities, data are reported separately for the following categories of reporters:

1. Bank-affiliated finance companies holding over $100 million in outstanding second mortgages

2. Bank-affiliated finance companies holding $100 million or less in outstanding second mortgages.

3. Other finance companies holding over $100 million in second mortgages

4. Other finance companies holding $100 million or less in second mortgages

5. Commercial banks

6. Savings and loan associations and mutual savings banks

7. Mortgage bankers (including self-reported mortgage bankers, as well as other institutions that primarily serviced second mortgage loans)

A breakdown of questionnaire respondents, by reporting category, is given in Table 1. The total number of respondents providing comprehensive data increased in 1985, primarily because more commercial banks responded to the questionnaire. In addition, many of the respondents (particularly smaller finance companies and savings associations) provided much more complete data than in the past. As a result, the detailed information in each table should be more useful. Some key data reported in the questionnaire are summarized for each type of lender in Table 2. Much more detailed and analytical data follow in Tables 3 through 24.

In Table 2, summary data are compiled for key statistics on second mortgage outstandings, servicings, originations, foreclosures and chargeoffs. The number of respondents providing constituent data is given in parentheses at the side of each column. In addition, where similar data were available (with a greater number of respondents) on NSMA membership application and dues voucher forms, those data are presented directly below the questionnaire data. Data compiled on the application and dues voucher forms cover a great number of respondents but may be less precise - as serviced loans are included with loans outstanding and no distinction is necessarily drawn between "net" and "gross" data. Gross data, however, overstate net originations and outstandings by the amount of unearned finance charges.

The data presented in Table 2 indicate that NSMA members held or serviced 1.2 million second mortgages worth approximately $20 billion at year-end 1984. The average size of second mortgages outstanding was over $16,000. NSMA questionnaire respondents reported servicing 90,000 second mortgages worth $1.4 billion in 1984. The data indicate that NSMA members originated nearly half a million second mortgages, worth $10 billion during 1984. The average size of new loans was approximately $20,000.

While not all respondents provided data on foreclosures, most of the larger second mortgage holders did so. NSMA members reported over four thousand foreclosures in 1984. Questionnaire respondents reported foreclosed loans were worth over $87 million. However, net chargeoffs in 1984, at $47½ million were only half as large as the value of loans foreclosed. As the economy continued to recover from the recession, foreclosure rates dropped and the median ("typical") foreclosure rate for NSMA members in 1984 only equalled 34 hundreth's of 1% of the amount of loans outstanding at year-end 1983, while the average foreclosure rate for all NSMA members was only 0.36% of 1984 outstandings.

The average loan size data reported in Table 2 differ from later figures in that they are averages for sums of all data reported by all respondents. All other data reported in the study refer to high, low or "typical" (i. e., median) values of ratios applicable to each type of institution. In those computations, averages are obtained by giving each institution's statistics equal weight, while in Table 2, each loan or each dollar of outstandings (as the case may be), is given equal weight. The Table 2 "average value" numbers are suspect in the sense that not all respondents reported on both the number and the dollar value of their loans outstanding and originated; however, such respondents typically had small portfolios, so any bias is relatively small and the reported averages are approximately correct. The footnote to the table presents supplementary data on average loan sizes obtained by analyzing average loan sizes reported by each respondent. The number are consistent with the way averages are reported in the rest of the text.

II. CHARACTERISTICS OF SECOND MORTGAGE LENDING IN 1984

The 1985 NSMA questionnaire collected extensive descriptive information on respondents' loan policies and portfolio characteristics in 1984. Data were obtained on loan pricing and credit insurance policies; adjustable rate, balloon, revolving and indirect lending; the security position of second mortgage debt; and rate adjustment techniques on variable rate loans. In addition, the questionnaire data were used to compute statistics on second mortgage growth rates, originations and renewals, cash and total portfolio liquidation rates and secondary market activity. Major findings are presented in Tables 3 through 12 and are summarized below:

A. Loan Terms

NSMA members reported their high, low, and average interest rates charged during 1984. The reported data indicated that rates on new second mortgages ranged from 9.87% to 38% in 1984, and that second mortgage rates averaged 16.66% in 1984 (down from 17.12% in 1983). Typical average rates charged on second mortgages were highest for smaller finance companies, somewhat lower for large finance companies and mortgage banks and lowest for commercial banks and thrift institutions (Table 3).

Loan-to-equity ratios on second mortgages ranged from 40% to 95%, with an average of 70%. Typical loan-to-value ratios ranged from 65% to 75% of appraised equity. Thrifts and large non-bank finance companies typically offered loans on the most restrictive terms, while bank-affiliated finance companies typically offered loans with slightly high loan-to-value ratios. The highest loan-to-equity ratios were offered by a mortgage banker and a small non-bank finance company. The maximum combined loan-to-value ratio (CLTV) that NSMA respondents would consider ranged from 61% to 100%. The average CLTV was 81% and typical maximum requirements ranged from 75% to 82.5%. Large non-bank finance companies had the lowest typical CLTV requirement (at 75%). CLTV ratios of 90% were offered by at least one commercial bank, two thrifts, three mortgage banks, and three large bank-affiliated finance companies. One small finance company (as well as one of the large bank-affiliated ones previously mentioned) offered CLTV ratios of 100%. Of the two offering 100% CLTV ratios, the large firm had a delinquency rate (60 day +) of only 1.7%; however, the smaller firm had the highest reported delinquency rate of 23.7%

The written maturity of new second mortgages ranged from 24 months to 241 months and averaged 116 months (up slightly from last year). However, due to the use of renegotiable rate balloon notes, the average actual maturity was substantially lower, with an average value of 75 months. Typical written maturities were longest at large finance companies of all types, commercial banks and mortgage banks, where they were approximately 10 years. Typical written maturities were shortest at the smaller finance companies, where they averaged 8 years or less. Typical values for average actual maturities were between 4 and 8 years for most lenders, with a maximum value of 13 years and a minimum value of 4 months.

The average size of second mortgage loans made to businesses ranged from $21,600 to $431,000 in the last quarter of 1984, but only 9 respondents made such loans. The average size of loans made to households by NSMA respondents was considerably smaller - with an average size ranging from $8,800 to $90,000 for different respondents and a typical value of $24,900. Typical loan sizes were largest at thrifts, mortgage banks and commercial banks and were smallest at small bank-affiliated finance companies and other finance companies.

Additional information collected on loan terms indicated that the vast majority of second mortgage respondents rarely made second mortgages to finance new home purchases.

B. Growth In Second Mortgage Lending

NSMA respondents reported moderate growth in their second mortgage loan outstandings in 1984. However, originations grew more slowly. The median growth rate in originations was 9% for the value of loans originated, but the median growth in the number of loans originated was a negative 3%. The typical average size of loans originated increased moderately (by 2 to 15%) at all lenders. Because loan liquidations were smaller than originations, second mortgage outstandings typically grew by 13% from year-end 1983 to year-end 1984 with the most rapid growth occuring at relatively small finance companies, commercial banks and mortgage banks. The number of loans outstanding typically grew by 9% and the average size of loans outstanding typically grew by 6% in 1984. While growth in loans and loan sizes was fairly even across the board, for the second year in a row, commercial banks typically experienced the most rapid growth in the number of loans (Table 4).

C. Second Mortgage Originations And Renewals

The overall average size of second mortgage originations throughout 1984 varied substantially among lender groups. The finance companies (especially the bank-affiliated finance companies) typically made the smallest second mortgage

loans while mortgage banks, followed closely by thrift institutions and commercial banks, typically made the largest loans. Overall, the average size loan made by all respondents was over $22,000 - but this figure may have been biased upward by the fact that several institutions made a large number of large commercial loans. The average size of revolving credit originations, at $21,500, was only slightly smaller than the average size of second mortgage originations in general (Table 5).

For NSMA members, in general, a large portion of the number of second mortgages originated represented renewals of previous loans. The renewal rate was highest for finance companies, particularly for the smaller bank-affiliated finance companies where renewals represented half of all loan originations. In contrast, renewal rates were quite low for thrift institutions, commercial banks, mortgage banks and (surprisingly) small non-bank finance companies. Because of the high amount of renewals at some lenders, on average, renewals accounted for nearly 20% of the second mortgage originations reported by NSMA members.

D. Second Mortgage Liquidation Rates

Many people are interested in the speed with which second mortgage portfolios typically are liquidated. The scheduled amortization rates from second mortgages and, hence, the scheduled cash flows are considerably higher than amortization rates and cash flows from first mortgages. In addition, second mortgage liquidation rates are augmented by the fact that second mortgages are prepaid or refinanced much more frequently than first mortgages.

While it would be ideal to have information on liquidation rates according to age and initial maturity of second mortgages, such detailed data are not available. In fact, data are not directly available on total portfolio liquidation rates. Nonetheless, liquidation rates can be computed for entire second mortgage portfolios by making use of the fact that the change in outstandings must equal originations minus liquidations or, equivalently, total liquidations equal originations minus the change in outstandings. Additional adjustments can also be made to account for purchases

and sales of second mortgages from the portfolio and for renewals which represent paper, rather than cash, transactions.

Table 6 shows the portfolio liquidation rates calculated by various techniques for different types of lenders. Because mortgage bankers vary their portfolios widely, as they pool and sell off securities, in some cases, the calculated liquidation rates were extremely high.

Overall, the data presented in Table 6 indicate that second mortgage portfolios turned over at a high rate in 1984. Typical second mortgage portfolio liquidation rates equalled at least 30 percent of average net outstandings for all types of lenders during 1984. After adjustment for purchases and sales, typical liquidation rates ranged from 22% for commercial banks to 38% for non-bank finance companies. Mortgage banks had even higher liquidation rates, but that is probably because most turn over their portfolios quickly. Cash liquidation rates (which are adjusted for refinancings as well as purchases and sales) ranged between 25% and 30% of average net outstandings for most types of lenders. At the indicated rates, the average second mortgage would be liquidated by cash repayment in three to four years, and it would be liquidated either by cash repayment or renewal in about 3 years.

E. Secondary Market Activity

Approximately 35% of the 1985 NSMA questionnaire respondents reported purchasing second mortgages from other originators, and approximately 30% of all respondents reported selling and servicing second mortgages. On balance, NSMA members were net purchasers of second mortgages, with purchased mortgages equalling approximately 10% of the value of mortgages originated by NSMA respondents in 1984 (Table 7).

Purchasers of second mortgages tended to buy mortgages that were somewhat larger than second mortgage credit originations in general. In addition, serviced second mortgages tended to be somewhat larger than typical second mortgage outstandings.

Finally, while little information was available on servicing fees received on second mortgages, the limited data that were available suggested that annual servicing fees typically were between $300 and $400, or less than 2% of the value of second mortgages serviced.

F. Revolving Lending

The 1985 questionnaire indicated that revolving second mortgage credit originations and outstandings, continued growing rapidly in 1984. At year-end 1984, revolving second mortgages held by NSMA members accounted for 2¼ billion or nearly one-sixth of second mortgage credit outstanding. Revolving credit originations in 1984 were $1¼ billion, which accounted for roughly one-sixth of net second mortgage originations in 1984. Both revolving credit originations and outstandings were nearly four times as great in 1984 as in 1983 (Table 8). Part of the growth was accounted for by the fact that more lenders reported such loans in 1984. However, reported growth rates in revolving credit at existing lenders were also very high - with median growth rates of nearly 200% for revolving credit outstandings and 65% for revolving credit originations.

In general, the average size of revolving second mortgage loans was somewhat larger than typical second mortgages in 1984. This was a change from previous years and it suggests that revolving lines of credit secured by second mortgages were more fully utilized in 1984 than before.

G. Adjustable Rate And Balloon Mortgages

Adjustable rate mortgages (ARMs) were another form of second mortgage that grew very rapidly during 1984. At year-end 1984, NSMA respondents reported that they had $2½ billion in ARMs outstanding and nearly $½ billion in balloon mortgages. Consequently, NSMA members' holdings of ARMs, balloon notes, and revolving credits accounted for nearly one-third of their total second mortgage holdings. In addition,

at least one major holder included call options that could be used to force rate renegotiation in all its new loan originations. Thus, NSMA members have gone a long way toward reducing the interest rate risk embodied in long-term second mortgages. In 1984, the typical lender that held adjustable second rate mortgages at the start of the year experienced an 80% growth rate in the numbers of loans and a 68% growth rate in the value of ARMs held (Table 9).

Ownership of ARMs was concentrated among particular lender groups. Thrift institutions were the most active in the market, with 83% reporting ARMs, followed closely by commercial banks (with 82%). In addition, 60% of the large finance companies (of all types) held ARMs. However, small finance companies rarely made adjustable rate second mortgages (25% and 11%, respectively, of all bank and non-bank "small" finance companies held ARMs) and relatively few (27%) of the reporting mortgage banks held ARMs.

Rate adjustments on second mortgage ARMs were primarily tied to short-term market rates. The bank prime rate (as reported in The Wall Street Journal) was most commonly used to establish ARM rates - particularly for finance companies and commercial banks. The second most common type of rate base consisted of rates on Treasury securities - usually 3 month, 6 month, or 1 year Treasury Bills. Treasury security rates were most commonly used to adjust rates charged on ARMs issued by thrift institutions and mortgage bankers. Other rate adjustment mechanisms included the 10 year Treasury bond rate, the CD rate, the company's "base rate," the Federal Home Loan Bank Cost of Funds index and the Federal Home Loan Bank Mortgage index. Rate adjustment procedures are summarized in Table 9 and presented in more detail in Table 10.

Some companies used balloon rate second mortgages or mortgages with call options in lieu of ARMs. Balloon mortgages have rates that can be marked to the market whenever they come due and the balloon payment is refinanced. Overall, balloon mortgages grew substantially less rapidly than ARMs during 1984, but they still grew at a rapid rate - with a median growth rate of 50% in the value of balloon notes and 27% in the number of balloon notes outstanding. As a result, they accounted

for 3% of all second mortgages held by NSMA questionnaire respondents at year-end 1984.

Interestingly, as was true in 1983, in 1984, ARMs and balloon note second mortgages were substantially larger than other second mortgages. Seemingly, lenders are more concerned with obtaining protection against interest rate changes when they extend larger amounts of credit, which, presumably, is amortized over relatively long periods of time.

H. Indirect Lending And Subordination Of Second Mortgage Debt

The 1985 NSMA questionnaire asked questions designed to determine the extent to which second mortgage lenders obtained their second mortgages indirectly rather than through their direct lending activities. Very few firms responded to this question and the vast majority of them indicated that they did not engage in indirect lending. Furthermore, most that did engage in indirect lending obtained only a small portion of their portfolios that way. Nonetheless, several respondents obtained their entire second mortgage portfolios through indirect loan originations (Table II, Part II).

Another set of questions tried to determine the security position of "second mortgage" liens. While most respondents reported that all their second mortgages were, indeed, second liens, ten reported that some were, in fact, first liens taken out by people who wished to draw on the equity in their fully-owned homes. The typical proportion of reported first liens, however, was less than 4% (Table II, Part I).

Finally, nine respondents reported that a few of their second mortgages were actually third liens or higher. The maximum reported holding of such liens was 14% in value and 50% in number, with a median reported holding of 15% in number.

I. Private Mortgage Insurance

Some second mortgage lenders use private mortgage insurance to provide additional risk coverage on their loans. Many require such insurance only if the borrower's equity position in a property, based on a combined loan-to-value ratio (CLTV) assessment, is below their usual standards. Others may require private mortgage insurance on all loans so they can be more easily pooled and resold.

The 1985 questionnaire asked respondents to specify their private mortgage insurance (PMI) policies. Responses to that question are provided in Table 12. The limited number of responses suggest that private mortgage insurance is not required by most second mortgage lenders, and when it is required, it is used primarily to guarantee loans that otherwise would fail to meet the lender's owner equity standards - i. e., for loans with CLTV ratios greater than 75% or 80%. Interestingly, it appears that a number of lenders impose much stricter equity standards on non-owner occupied or business-related properties - as several lenders require PMI for loans with a CLTV ratio exceeding 65% or 70%.

III. DELINQUENCIES, FORECLOSURES AND CHARGEOFFS ON SECOND MORTGAGES

A. Delinquency Rates

In 1983, problem loans accounted for a very minor portion of most second mortgage lenders' portfolios; however, in 1984, delinquencies fell further. As a result, with a few notable exceptions, most NSMA respondents had very favorable delinquency ratios at year-end 1984.

Table 13 presents data on delinquency rates reported by NSMA respondents. It shows that typical 60 day + delinquency rates for second mortgage lenders were 1.15% of net second mortgage loans outstanding or 1.5% of the number of second mortgages outstanding. It also shows that 60-89 day delinquency rates typically were 0.42%, based on the value of loans delinquent, and 0.35%, based on the number of loans delinquent. Delinquency rates expressed as a percentage of the number of loans

outstanding tend to be higher than delinquency rates expressed as a percentage of the value of loans outstanding because delinquent loans often are of smaller than average size.

There was substantial variation in delinquency rates both among individual lenders and by type of lender. Maximum delinquency rates were as high as 23.7% (by number) at one small finance company which made 100% LTV loans and as high as 19.6% (by value) at another small finance company. However, maximum delinquency rates reported at all other lenders were less than 6% of outstandings. Typical delinquency rates were lowest at commercial banks, mortgage banks, thrift institutions, and small bank-affiliated finance companies. Delinquency rates were highest at finance companies - particularly at the small finance companies previously mentioned.

B. Foreclosure Rates and Policies

Once a mortgage becomes delinquent, it may go into foreclosure or be charged off. Because considerable variation can exist in companies' policies at this point, questionnaire respondents were asked to describe their foreclosure and chargeoff policies. Table 14 presents information on respondents' foreclosure policies.

Table 14 indicates that foreclosure policies vary widely. Some firms may move to foreclose after as little as 30 days in delinquent status - or even less if a notice of default is received on a senior mortgage. However, many also note that foreclosure will not be pursued if the customer is cooperative and there are extenuating circumstances. Also, foreclosure policies vary widely among lender groups, as well as among individual lenders. Most mortgage banks start foreclosure at 60 days. However, many let buyers of their mortgages dictate foreclosure policies. Commercial banks and thrift institutions have more variable policies - some commence foreclosure proceedings when a loan is 30 days past due and other may wait as long as 120 days to foreclose. Most commonly, however, both types of depository institutions foreclose at 90 days, with several starting foreclosure proceedings at 60 days, but most also varied their policies sharply depending upon the willingness of the customer to cooperate, the amount of equity in the home, and the stage of

delinquency. Cooperative borrowers with extenuating circumstances often could forestall foreclosure, while uncooperative borrowers might find themselves faced with foreclosure proceedings in 60 days, or, sometimes, less. Smaller finance companies were also very willing to work with their delinquent borrowers, but, relative to other lender groups, fewer had explicit time schedules for foreclosing on loans, and those that did often gave the delinquent customer more time prior to foreclosure.

In total, foreclosures reported by 36 NSMA respondents for 1984 totaled 2,413, with a total value of nearly $88 million. This equalled approximately ½% of all outstanding second mortgage loan balances at year-end 1984. As shown in Table 15, typical foreclosure rates as a percentage of year-earlier outstandings were lowest for commercial banks (at 0%), moderate for large finance companies of all types (at 0.22% and 0.42%), thrift institutions (at 0.40%), and small bank-affiliated companies (at 0.55%) and highest for other small finance companies (at 1.66%) and mortgage banks (at 1.67%, which is probably biased upward by foreclosures reported on serviced loans). Foreclosure rates for 1984 varied from 0% to over 11% of 1983 year-end outstandings at different institutions.

Additional details on foreclosures are provided in Table 16. Table 16 shows that approximately one-quarter of all property foreclosed is taken by deed and that slightly more than three-quarters is taken by legal process. Finance companies recovered their security by deed more often than other lenders.

Other data presented in Table 16 indicate that the average ratio of property sold to total annual foreclosures is slightly more than 80%. This ratio often is less than 100% due to growth in the number of foreclosures and lags in the recovery and sale of foreclosed properties. However, the ratio of sales to foreclosures may be over 100% for firms that liquidated properties foreclosed in previous years in addition to current foreclosures.

Finally, data provided in Table 16 show that the value realized from the sale of foreclosed properties varies widely. While some firms recover 100% of the value of the debt upon sale, a majority realized less than 100%.

C. Chargeoffs

Overall, as shown in Table 17, gross chargeoffs reported by NSMA respondents in 1984, at nearly $70 million, were three-quarters as large as their total foreclosures. However, as is shown in Table 18, many respondents charge off expected losses on a loan as soon as foreclosure proceedings are started. Subsequent recoveries may reduce chargeoffs substantially. Thus, total net chargeoffs, at $47.8 million equalled barely more than one-half the value of foreclosures, even though chargeoffs were reported by more respondents than foreclosures.

Table 17 shows that recoveries on gross chargeoffs ranged from 0 to 268%, and typically equalled 25% of gross chargeoffs - a higher rate than in 1983, after recovery. Net chargeoffs in 1984 ranged from 0 to 4.2% of average outstandings and had an average value of 0.69% - which was slightly less than in 1983.

Net chargeoffs typically were highest for the small non-bank finance companies (at 3.37% of average outstandings), moderate for other finance companies (at 0.31%, 0.52% and 0.85%), and lowest for thrift institutions, commercial banks and mortgage bankers (where many institutions reported zero net chargeoffs). Interestingly, as one would expect, chargeoffs tended to be highest at the highest rate lenders (who also made the smallest loans on most generous terms) and lowest at lower rate lenders (who also made larger loans on more restrictive terms).

IV. PROFITABILITY OF SECOND MORTGAGE LENDING

The ultimate objective of second mortgage lenders is to turn a profit by making sure that loan revenues exceed costs. In this section, we look at second mortgage lenders' overall profits, the relative importance of different types of revenues that accrue to second mortgage lenders, the cost of funds to second mortgage lenders, and the methods by which they recognize income.

A. Income Accounting

Table 19 presents responses given to a question that asked each responding firm to describe its income-recognition accounting procedures. The responses show that accounting procedures vary greatly among firms. There are two major types of differences - cash vs. accrual accounting and actuarial (or simple interest) vs. sum-of-the-years-digits (Rule of 78's) accounting for interest recognition.

The majority of lenders used accrual, rather than cash collection, methods to recognize earned income. However, many who did so had a provision whereby they either ceased interest accruals or reversed them when a loan became 60 to 90 days past due. In addition, many used sum-of-the-digits methods on precomputed loans and simple interest calculations on revolving loans. While actuarial or simple interest calculation procedures appear to be increasing - particularly for loans over 84 months, and on revolving credit lines and other adjustable loans - many lenders, possibly a majority, still use the Rule of 78's (or sum-of-the-years-digits) method to calculate accrued interest. The Rule of 78's can generate greater income if a second mortgage is prepaid - as is commonly done - but regulators may declare that it generates excessive prepayment penalties on long-maturity loans. Also, the Rule of 78's is not sufficiently flexible to allow for adjustable rates.

B. Profits

Overall, as shown in Table 20, reporting second mortgage lenders recorded substantial profits in 1984. Of the 11 respondents who reported both their equity and their profits applicable to their second mortgage portfolios, nine recorded a pretax return on equity of 25% to 120%. Pretax returns on lenders' full portfolios were also healthy - with only one of 16 respondents reporting a loss and all others reporting returns on equity of 10% to 134%.

Pretax income, recorded as a percentage of loans outstanding, generated typical positive net income "spreads" that ranged from 0.4% of second mortgage average

outstandings at thrifts and commercial banks to 3% at large bank-affiliated finance companies to more than 5% at small bank-affiliated finance companies. Mortgage banks and non-bank finance companies typically reported positive spreads of 2% to 2.6%. Lenders' pretax ratios of total income to outstandings were even higher than gross returns on their second mortgages. Thus, overall, 1984 was a very profitable year for NSMA respondents.

C. Interest Costs And Revenues

The major reason 1984 was a profitable year was that second mortgage lenders' interest costs were substantially lower than their average interest revenues on their second mortgage loan portfolios. As is shown in Table 21, lenders' typical interest earnings on their second mortgage loan portfolios ranged from 14.3% to nearly 19.9%. At the same time, lenders typical costs of funds were relatively low - ranging from 7.4% to 12%.

While interest earnings on second mortgage lenders' entire portfolios usually were greater than their earnings on their second mortgages, per se, their profits on their other lending were not necessarily higher than their profits on second mortgages. Two reasons probably account for this: (1) lenders' operating costs per dollar of credit outstanding of making and servicing second mortgages are lower than the operatings costs per dollar associated with smaller loans and (2) lenders may obtain significant non-interest revenues from origination fees and other revenue sources related to second mortgage loans.

Table 22 provides more detail on revenues received by second mortgage lenders. It shows that total revenues received on second mortgage portfolios tend to be somewhat higher than interest earnings per se - generating typical returns on average second mortgage balances of 15% to 36%. Major sources of additional revenues are mortgage servicing fees, origination fees, and insurance and other revenues. Not all respondents provided detailed breakdowns of their non-interest revenues, however. Thus, rather than show average figures, all available responses are presented (as ratios) on the bottom of Table 22.

All in all, non-finance charge sources of revenue frequently added between ½% and 3% to the rate of return second mortgage lenders earned on their second mortgage portfolios.

V. STATE SPECIFIC DATA

Each respondent to the 1985 questionnaire was asked to provide separate information on the characteristics of their second mortgage lending operations in each state. While not all could, or did, comply, between one-third and one-half the respondents provided substantial data on their second mortgage lending in each individual state.

The statewide data provided included data on second mortgage loan outstandings, originations, delinquencies, foreclosures and average finance rates. Key data are summarized in Tables 23 and 24. Table 23 provides summary data on statewide outstandings, originations, average finance rates (APRs), delinquency rates (for 60 days and over), and foreclosures for all 50 states plus Washington, D. C., Puerto Rico, and, in one case, Ontario. Table 24 provides key ratios calculated either directly from state statistics or by comparing state statistics to similar growth and delinquency data for lenders' portfolios as a whole. The ratios are useful for analyzing such things as loan sizes, growth patterns, foreclosure rates and experience, and comparative delinquency and interest rates in the different states.

Major points of interest regarding state specific data relate to: (1) outstandings and originations average size, volume and growth; (2) loan rates; (3) comparative delinquency rates; and (4) foreclosure experience. Each is discussed in turn.

A. Outstandings, Originations And Growth

The data presented in Table 23 (Columns 1 and 2) show that there are vast differences in the amount of loan outstandings reported in each state - ranging from zero in Arkansas (where rate ceilings have traditionally restricted lending) to more than 2½ billion in California. States with the largest amounts of second mortgages

originated or outstanding included, in order, California, Florida, New Jersey, Ohio, Pennsylvania, Colorado, Arizona, North Carolina, Virginia, Oklahoma, Maryland, Georgia, New York, Oregon, and Indiana. States with the lowest amount of second mortgages reported outstanding included, in order, Arkansas, North Dakota, Alaska, Vermont, Maine, South Dakota, Wyoming, Montana, Washington, D. C., Rhode Island and Nebraska.

Growth rates of second mortgage lending could be approximately measured by computing the ratio of originations to outstandings. If a large portion of outstandings were acquired in the past year, then the growth rate of outstandings was assumed to be high. States were classified as high growth or low growth states based on both the ratio of originations to outstandings (Table 24, Column 1) and the relative value of that ratio to the ratio of originations to outstandings for each lenders' entire portfolio (which showed growth in each state relative to each lenders' overall growth performance - Table 24, Column 2). Based on the first ratio, high growth states included, in order, Pennsylvania, New Jersey, Nebraska, Massachusetts, Alaska, New Mexico, New York, North Dakota, Vermont, Michigan, Delaware, West Viriginia, Georgia, Arizona, New Hampshire, Kentucky and Maryland. Relatively high growth rates, as measured by the comparative ratio of originations to outstandings were indicated, in order, for the following states: Michigan, Pennsylvania, Vermont, Nebraska, Massachusetts, New Jersey, New Mexico, New York, Delaware, Ontario, West Virginia, Colorado, Maryland, Texas, Georgia, Tennessee and Montana. The lowest growth rates for second mortgage lendings apparently occurred in the following states, in order: Arkansas, Wyoming, Maine, Hawaii, South Dakota, Utah, Oregon, Washington, D. C., Iowa, Idaho and Louisiana. Relatively low growth was indicated by the comparative ratio for, in order: Maine, Wyoming, Washington, D. C., Hawaii, Iowa, Florida, Indiana, Utah, Louisiana and Nevada. Most of the Western States, particularly California, Idaho, Oregon and Arizona also had relatively low comparative growth ratios - possibly because their second mortgage markets had already matured and had, thereby, reduced their potential for high compound growth rates in the future.

B. Loan Rates And Sizes

Most second mortgage loan rates reported by respondents were lower than those reported in 1983. In 1984, APRs averaged between 16% and 18% in most states. The highest average rate was 20.24% in Wyoming, the lowest average rate was 13.73% in Texas (where most second mortgages are purchase money mortgages or home improvement loans). The regions with relatively high rates (above 18½%) included, in order: Wyoming, Alaska, South Dakota and Ontario. The states with relatively low rates (below 16%) included, in order: Texas, Washington, D. C., Rhode Island, Massachusetts, New Jersey, Florida, Nevada and Connecticut (Table 23, Column 3).

Variation in average loan sizes, between states, was much greater than variation in loan rates. The data presented in Table 24, Column 3 shows that the average size of second mortgage loans originated in 1984 varied from $7,230 (in South Dakota) to $38,800 (in California) and $57,438 (in Washington, D. C.). Second mortgages were also quite large in Hawaii (at $35,743) and averaged below $15,000 in Alabama, Kansas, Kentucky, Michigan, Mississippi, Missouri, Nebraska, North Dakota, Tennessee, Vermont and West Virginia.

C. Comparative Delinquency Rates

Average delinquency rates varied widely across states, as shown in Table 23, Column 4. This was confirmed by an analysis of comparative delinquency rates in each state relative to average delinquency rates experienced by the same lenders in their overall second mortgage lending operations. Overall, the highest delinquency rates (above 3%) were observed in Wyoming, followed, in order, by South Dakota, Oregon, Kansas, New Jersey, Iowa, Oklahoma, Tennessee, Montana, Wisconsin and Mississippi. Seemingly, the nation's agricultural problems also affected second mortgage delinquency rates in many states - as many of the highest delinquency rates were clustered in the nation's "breadbasket," possibly because of the depressed state of agriculture. The lowest average delinquency rates (below 1% for 60 days or over) were reported for Puerto Rico, North Dakota, Maine, Georgia, Michigan, Texas,

Virginia, North Carolina, Maryland, New Hampshire, Rhode Island, Missouri, Massachusetts, Alabama, New York and Delaware.

Overall, the comparative delinquency ratio data (Table 24, Column 5) indicate that the highest relative delinquency rates (at least 25% above lenders' experience in other states) occurred, in order, in Alabama, Wyoming, West Virginia, Iowa, South Dakota, Washington, D. C., Oregon and Ohio. The lowest relative delinquency rates (below 50% of lenders' overall experience) occurred, in order, in New Hampshire, Delaware, Nevada, Minnesota, Georgia, Mississippi, Michigan, Kentucky, Virginia, Maryland, Illinois and Massachusetts.

D. Foreclosure Experience

Data on foreclosures reported in each state are presented in Table 23, Column 5, and in Table 24, Columns 3 and 4. Overall, the absolute number of reported foreclosures (Table 23, Column 5) was highest in California, Florida, Arizona, Utah, Ohio, Oregon and Colorado. The number of reported foreclosures was lowest in Alaska, Hawaii, Delaware, Maine, Michigan, North Dakota, Nevada, Rhode Island, Vermont, Wisconsin and Puerto Rico. However, the raw numbers can be very misleading because the amount of loans and the number of respondents vary greatly from state to state.

In order to control for different amounts of loan outstandings, lenders reporting foreclosures in each state were divided by the amount of credit that each lender had outstanding in that state, then the resulting figures were averaged for all reporting lenders. The result is shown in Table 24, Column 4. Those data indicate that foreclosure rates tended to be highest (above 2% of outstandings), in order, in Missouri, Washington, D. C., Oregon, California, West Virginia, Illinois, Nebraska, Alabama, Kansas, Montana and Louisiana. While this method of ranking is not perfect, as one lender with a very bad experience can raise average reported foreclosure rates considerably, it probably gives more accurate assessment of where foreclosres are causing the most difficulties than a comparison of the absolute number of foreclosures in each state, per se.

The lowest incidence of foreclosure, below 0.4% of outstandings based on average foreclosure rates reported by individual lenders, existed, in order, in Alaska, Delaware, Michigan, New Hampshire, Nevada, Rhode Island, Hawaii, Massachusetts, Pennsylvania, New York, New Jersey, North Carolina, Washington, Georgia and Connecticut.

VI. CONCLUSIONS

This survey reports on the 1985 NSMA Second Mortgage questionnaire. Data compiled from the responses of 64 respondents provide useful insights into the following aspects of the second mortgage markets: loan outstandings, originations and growth; loan terms and sizes; second mortgage liquidation rates; the use of secondary markets; revolving credit, adjustable rate and balloon notes; indirect lending and the use of private mortgage insurance; second mortgage delinquency, foreclosure and loss rates; and the profitability of second mortgage lending. In addition, the survey provides state by state data on second mortgage loan originations, outstandings, growth, loan sizes, finance rates, delinquency rates and foreclosures.

TABLE 1: CHARACTERISTICS OF 1985 NSMA QUESTIONNAIRE RESPONDENTS

Finance Companies, total		32
Finance Companies Affiliated with Commercial Banks	15	
Holders of over $100 million in seconds (LBF Co.)	11	
Holders of under $100 million in seconds (SBF Co.)	4	
Other Finance Companies	17	
Holders of over $100 million in seconds (LF Co.)	8	
Holders of under $100 million in seconds (SF Co.)	9	
Commercial Banks		11
Thrift Institutions (Savings & Loans and Savings Banks, including commercial bank subsidiaries and Savings and Loans Holding Companies)		6
Mortgage Bankers and Related Institutions -- including subsidiaries of banks, thrifts, and others		15
Self-defined mortgage banks	13	
Mortgage "broker" servicing seconds	1	
Issuer of Mortgage-backed securities	1	
TOTAL *		64

* Includes all responses providing numeric data that were received before September 8, 1985. However data from late respondents was not edited carefully and is not included in all the tables.

TABLE 2: KEY SUMMARY STATISTICS ON 1984 SECOND MORTGAGE ACTIVITY

A. Second Mortgages Outstanding at Year-End 1984

1. Number of Second Mortgages Outstanding, Survey Responses 1,049,577 (58)
2. Number of Second Mortgages Outstanding, Membership Forms . . . . . .1,291,242 (84)**
3. Net* Value of Second Mortgages Outstanding, Survey Responses. . . . $17,008,461,714 (60)
4. Value of Second Mortgages Owned or Serviced from Membership Forms. .$20,215,210,602 (85)**
5. Average Size of Second Mortgages Outstanding $16,205***
6. Average Size of Second Mortgages Outstanding, based on Membership Forms . . $16,580**

B. Second Mortgages Serviced at Year-end 1984, Survey Responses

1. Number Serviced 89,370 (20)
2. Net Dollar Value Serviced $1,391,527,258 (19)

C. Second Mortgage Originations, 1984

1. Number of Second Mortgages Originated, Survey Responses. 375,603 (60)
2. Number of Second Mortgages Originated, Membership Forms 519,051 (86)
3. Net* Value of Second Mortgage Originated, Survey Responses $8,005,779,323 (61)
4. Value of Second Mortgages Originated, Membership Forms . . . . . $10,317,985,633 (86)**
5. Average Size of Second Mortgage Originations, Survey Response $21,314***
6. Average Size of Second Mortgage Originations, Membership Forms $19,879**

D. Second Mortgage Foreclosures and Chargeoffs in 1984

1. Number of Foreclosures, Survey Responses. 2,413 (39)
2. Number of Foreclosures, Membership Forms 4,424 (79)
3. Value of Second Mortgages Foreclosed $87,809,939 (36)
4. Gross Chargeoffs $69,948,834 (50)
5. Net Chargeoffs $47,771,886 (49)

E. Number of Foreclosures as % of 1984 Outstandings

1. Average for all respondents (# foreclosed/# outstanding), Survey Responses . . 0.23%
2. Average for all respondents (# foreclosed/# outstanding), Membership Forms . . 0.36%
3. Average for all respondents ($ foreclosed/$ outstanding), Survey Responses . . 0.52%
4. Typical (median) response, Survey Responses 0.34% (30)

* These figures may be overstated by a minor amount. In a few instances, "net" data were not available and "gross" figures were substituted -- but the differences were generally small.

** These statistics apply to data provided on NSMA member application and renewel forms. They are a more comprehensive sample than the questionnaire data, but they also may contain more data on gross second mortgages outstanding or originated.

*** Average size data are obtained by dividing line 3 by line 1; Since the number of reporters differs, they are not very accurate. "Typical" average loan sizes are $15,167 for outstandings and $18,735 for originations. "Typical" responses are "median" values i.e., values such that 1/2 of the respondents reported the same or larger amounts and 1/2 of the respondents reported the same or smaller amounts.

TABLE 3: U.S. SECOND MORTGAGE LOAN TERMS, 1984

1984 Rates Charged	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks	Full Sample
LOAN RATES								
Highest Rate	25.00	22.00	36.00	30.00	19.00	19.00	38.00	38.00%
Lowest Rate	12.99	13.50	11.00	12.50	10.54	9.87	12.15	9.87
Typical Avg Rate	15.75	18.43	17.69	18.62	14.54	14.55	16.20	
Overall Average Rate								16.66%
LOAN/VALUE RATIOS								
Average Ratio of Loan to Appraised Equity								
HIGH	80.00	--	--	95.00	80.00	80.00	85.00	95.00%
LOW	40.00	--	--	70.00	45.00	52.00	59.33	40.00
TYPICAL	75.00	75.00	65.00	70.00	69.60	66.35	70.00	
AVERAGE								70.11%
Maximum Ratio of All Mortgages to Appraised Value of Property								
HIGH	100.00	85.00	75.00	100.00	90.00	90.00	95.00	100.00%
LOW	70.00	80.00	73.00	80.00	61.00	75.00	75.00	61.00
TYPICAL	80.00	82.50	75.00	80.00	80.00	82.50	80.00	
AVERAGE								80.93%
MATURITY								
Average Written Maturity of New Loans								
HIGH	148.00	97.00	146.00	180.00	180.00	180.00	241.40	241.40 mo.
LOW	82.90	80.00	84.00	30.00	42.00	24.00	30.00	24
TYPICAL	120.00	88.50	122.66	90.00	131.53	90.00	120.00	
AVERAGE								116.32 mo.
Average Actual Maturity of New Loans								
HIGH	148.00	--	72.00	72.00	120.00	78.00	151.64	151.64 mo.
LOW	3.50	--	29.50	24.00	50.00	29.00	37.00	3.5
TYPICAL	83.45	--	50.75	48.00	60.00	66.00	95.00	
AVERAGE								74.54 mo.
PERCENT OF SECOND MORTGAGES USED FOR PURCHASE MONEY								
HIGH	50.0%	0	0.13%	0.16%	0	17.8%	100%	100%
LOW	0	0	0	0	0	0	0	0
TYPICAL	12.5%	0	0.07%	0.08%	0	1.75	8%	
# OF RESPONSES	7	2	2	2	2	6	8	29
AVERAGE SIZE OF LOANS MADE IN LAST QUARTER OF 1984								
Loans to Households								
HIGH	$27,539	$15,505	$23,076	$38,519	$72,911	$35,786	$90,000	$90,000
LOW	10,423	13,574	16,649	8,878	18,156	22,277	18,289	8,878
TYPICAL (AVG)	21,776	14,278	18,380	17,986	25,060	29,032	27,438	24,888
# OF RESPONSES	8	3	4	6	4	2	6	33
Loans to Business								
HIGH	$128,760	NA	$431,727	$366,381	NA	NA	$277,794	$431,727
LOW	26,316	NA	138,634	24,512	NA	NA	21,666	21,666
TYPICAL (AVG)	77,538	NA	280,181	195,447	NA	NA	25,036	160,092
# OF RESPONDENTS	2	0	2	2	0	0	3	9

TABLE 4: GROWTH IN SECOND MORTGAGE LENDING DURING 1984

I. Growth in Originations

A. Number of Loans Originated (only 18 of 40 were positive)

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBank	Thrifts	M. Bankers	Overall
High	+28.4%	-6.1%	+50.3%	+72.5%	+52.3%	-3.8%	+49.4%	+72.5%
Low	-26.8	-12.8	-30.5	-17.1	-69.4	-42.0	-25.0	-69.4
Typical	+10.7	-11.4	-6.2	-3.0	-28.1	-29.1	+19.2	-3.8
Average								-0.1
# responses	8	3	5	6	8	3	7	40

B. Net Value of Loans Originated (22 of 41 were positive)

High	+110.7%	+1.3%	+63.8%	+124.0%	+120.9%	+34.9%	+69.5%	+124.0%
Low	-45.1	-11.1	-27.5	-19.2	-78.3	-28.1	+7.5	-78.3
Typical	+15.6	-5.6	+3.1	+1.6	-29.7	+10.9	+31.5	+9.1
Average								+13.3
# responses	8	3	5	6	6	3	6	37

C. Growth in Average Size of Net Loans Originated (28 of 33 were positive)

High	+64.1%	+8.3%	+9.0%	+34.8%	+10.1%	+15.2%	+25.5%	+64.1%
Low	-24.9	+0.3	+0.8	-7.7	-29.2	+5.2	+1.9	-29.20
Typical	+2.3	+7.9	+4.2	+7.1	+6.0	+10.2	+15.2	+5.2
# responses	8	3	5	5	5	2	5	33

II. Growth in Net Outstandings

A. Number of Loans Outstanding (27 of 40 were positive)

High	+54.5%	+61.5%	+30.6%	+31.1%	+42.0%	+21.5%	+59.5%	+61.5%
Low	-12.6	+1.0	-3.6	-3.0	-11.2	-8.6	-20.0	-20.0
Typical	+0.9	+16.1	+1.7	+3.5	+23.2	+12.8	-7.7	+9.3
Average								+12.5
# responses	8	4	5	5	8	5	5	40

B. Net Value of Loans Outstanding (35 of 41 were positive)

High	+96.8%	+78.4%	+38.8%	+36.9%	+54.4%	+46.1%	+53.2%	+96.8%
Low	-6.9	+7.3	+0.0	+7.0	-21.0	-19.5	-2.1	-21.0
Typical	+7.9	+21.0	+11.3	+13.7	+18.0	+9.5	+19.2	+13.6
Average								+19.3
# responses	8	4	5	5	8	5	6	41

C. Growth in Average Size of Net Loans Outstanding (33 of 39 were positive)

High	+27.3%	+10.4%	+9.8%	+25.7%	+19.2%	+20.2%	+26.2%	+27.3
Low	+1.5	+5.3	+3.7	-12.1	-10.2	-11.9	-14.2	-14.2
Typical	+6.5	+7.5	+6.5	+9.9	+4.8	+5.3	+11.6	+6.5
# responses	8	4	5	5	7	5	5	39

TABLE 5: SECOND MORTGAGE ORIGINATIONS AND RENEWALS, 1984

Number of Originations in 1984	375,603	(60)
Net Value of Originations	$8,005,779,323	(61)

Average Size of Net Originations

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Banks	Overall
High	35,742	15,505	18,463	60,482	67,590	31,372	161,545	161,545
Low	7,128	3,079	9,925	3,952	6,950	19,086	7,129	3,079
Typical	14,360	13,642	17,679	16,846	20,839	21,553	21,866	--
Average								22,767
# responses	11	4	6	8	10	4	10	53

Average Size of Revolving Second Mortgage Originations

High	$27,996	--	$23,099	--	$83,813	$42,916	--	$83,813
Low	5,376	--	5,580	--	27,607	11,052	--	5,376
Typical	17,231	15,576	14,340	--	48,756	28,569	--	--
Average								21,454
# responses	4	1	2	0	6	4	0	17

Percentage of Originations that Constitute Renewals (#)

High	75.40%	54.48%	72.57%	14.61%	14.57%	1.77%	67.00%	75.40%
Low	5.54	45.77	2.21	0	0	0	0	0
Typical	34.82	54.17	31.59	7.30	8.00	1.24	21.23	--
Average								23.67
# responses	4	3	3	2	3	3	7	25

Percentage of Net Originations that are New Money ($)

High	35.20%	31.13%	74.60%	15.16%	7.07%	2.49%	44.38%	74.60%
Low	11.32	16.63	3.39	6.91	0	0	0	0
Typical	16.86	27.50	17.70	8.09	3.54	1.12	8.49	--
Average								16.87
# responses	6	4	4	4	2	3	7	30

TABLE 6: SECOND MORTGAGE PORTFOLIO LIQUIDATION RATES

I. Net Liquidations

A. Unadjusted for Purchases and Sales
[(equals originations minus change in net outstandings)/(average net outstandings)]

	LBF Co.	SBF Co.	LF Co.	SF Co.	C. Banks	Thrifts	M. Banks
High	54.22%	39.19%	72.68%	91.25%	36.92%	63.43%	60.80%
Low	21.76	31.43	25.11	40.52	24.46	16.65	32.01
Typical	30.23	32.74	35.22	60.28	31.01	61.99%	43.37
# of responses	7	3	5	3	3	3	3

B. Adjusted for Purchases and Sales, but not renewals

High	54.77%	40.31%	73.10%	40.52%	31.01%	63.48%	66.87%
Low	21.76	31.51	32.18	34.26	12.95	6.65	45.88
Typical	30.56	35.91	38.04	37.39	21.98	29.62	56.38
# of responses	5	2	4	2	2	3	2

C. Adjusted for Purchases and Sales and Renewals (Cash Liquidations)

High	36.53%	25.10%	26.74%	--	--	62.69%	42.12%
Low	22.57	24.49	18.87	--	--	28.62	12.70
Typical	30.45	24.79	25.65	27.09	--	45.66	27.41
# of responses	3	2	3	1	--	2	2

TABLE 7: Secondary Market Activity in Second Mortgages, 1984
(Number of respondents)

I. Second Mortgages Purchased

	Value or Number	Average per Respondent	Typical growth (%) from previous year
Net Dollar Amount	$679,698,911 (20)	$33,984,946	+41.45% (14)
Gross Dollar Amount*	$ 25,999,527 (2)	$12,999,764	--
Number of Loans	30,699 (19)	1,616	-7.57% (14)
Average Net Loan Size per Respondent	$25,333 (18)	--	--
Net Plus Gross Total Value*	$705,698,438 (22)	$32,077,201	--

II. Second Mortgages Sold

Dollar Amount	$659,901,727 (17)	$38,817,748	+14.76% (10)
Number of Loans	20,412 (14)	1,458	-18.52% (8)
Average Loan Size per Respondent	$28,561 (14)	--	

III. Second Mortgages Serviced

Net Dollar Amount	$1,156,416,258 (17)	$68,024,482	+3.52% (12)
Number of Loans	81,642 (19)	4,297	+13.85% (13)
Average Net Loan Size per Respondent	19,170 (17)	--	
Net Plus Gross Total Value**	$1,166,543,690 (18)	$64,807,978	

IV. Servicing Fees on Second Mortgages

	Typical	High	Low
As % of Net Second Mortgages Serviced	1.75%4 (7)	6.94%	0.04%
Per Second Mortgage Serviced	$312.11 (7)	$1,611.36	$12.17

* Gross values are used only for respondents who did not also report "net" data on a "net" basis.

** In this case all but one of those reporting "gross" figures also reported "net" figures, so the total equals the "net" data total plus the other firms $10,127,432 in gross balances.

TABLE 8: REVOLVING LENDING

I. Second Mortgage Lenders' Holdings of Revolving Second Mortgages

	Year-end 1984	Year-end 1983	Year-end 1982
Value of Loans Held	$2,262,655,417	$ 573,784,482	$ 305,795,733
# of Loans Held	345,017	82,357	64,661
# of Holders	24	16	6
Average *Size of Loan Per Respondent	$21,031.00	$15,092.16	$10,709.18

II. Revolving Loan Originations

	In 1984	In 1983	In 1982
Value	$1,271,384,730	$ 385,338,489	$ 60,967,336
# of Loans	59,176	23,649	5,171
# of Originations	18	15	4
Average *Size per Respondent	30,931.00	$19,072.32	$11,438.98

III. Percentage Growth in Revolving Second Mortgages

	Outstandings		Originations	
	#	$	#	$
High	+7406.9%	+2488.2%	+11469.9%	+2060.7%
Low	-22.1%	-18.2%	-30.7%	+8.6%
Typical	+170.0%	+197.2%	+66.1%	+64.0%

* This average equals the sum of average loan sizes reported by each respondent divided by the number of repondents.

TABLE 9: ADJUSTABLE RATE AND BALLOON SECOND MORTGAGES

I. Adjustable Rate Second Mortgages

	Volume		Typical Average Size	Typical Growth in	
	$ Value	# of Loans		$ Value	# of Loans
1984	$2,494,485,225 (24)	99,721 (23)	$27,738.51 (22)	67.86% (14)	80.05% (15)
1983	$1,777,041,937 (21)	55,942 (16)	$33,843.46 (17)	290.88% (5)	197.01% (5)
1982	153,968,552 (6)	5,053 (6)	$32,718.18 (5)	--	--

II. Types of Rate Adjustment, by Type of Lender*

	# (and %) Respondents of each type that offered ARMs	Prime Rate	Treasury Rates	Other Rates or Costs of Funds (CD rates, mortgage index, etc.)
LBFCo.s	6 (55%)	4	2	
SBFCo.s	1 (25%)	1		
Other LFCo.s	6 (67%)	4	1	1
Other SFCo.s	1 (11%)	1		
Commercial Banks	9 (82%)	5	3	4
Thrift Institutions	5 (83%)	3	3	
Mortgage Banks	4 (27%)	1	2	1

III. Balloon Mortgages **

	Volume		Typical Average Size	Typical Growth in	
	$ Value	# of Loans		$ Value	# of Loans
1984	$451,162,149 (22)	14,931 (21)	$31,021.58 (21)	49.47%	26.74% (13)
1983	$435,345,122 (22)	11,457 (18)	$27,987.14 (19)	34.40% (7)	10.16% (5)
1982	180,445,862 (7)	3,072 (5)	$26,422.62 (5)	--	--

* Some lenders used multiple indexes, see Table 10.

** An additional respondent held no balloon notes, per se, in the sense that there was a contractual maturity date -- but all notes originated contained a "call option" that allowed them to require early prepayment or renegotiation of rates -- thus, making them de facto potential balloon notes. Those balances are not included here, however.

TABLE 10: RATES USED TO ADJUST RATES ON ADJUSTABLE RATE SECOND MORTGAGES, 1984

Thrifts:

1. NA - 0
2. Predominantly Treasury rates
3. The Prime Rate published in Wall Street Journal + 1.9%
4. 6 month T-bill
5. Closed-end second mortgage -- 1 year T-bill revolving loans - prime + 2%
6. The company's base market rate

Commercial Banks:

1. 1, 2, and 3 year Treasury Securities (constant maturity)
2. Prime in Wall Street Journal
3. a. 3-month T-bill
   b. Federal Home Loan Mortgage index
4. 26 week average of the 180-day CD
5. None - 0
6. a. 6 month average of weekly auctions rates of 6-month T-bills
   b. Average auction rates of T-bills
   c. Secondary market rates for large negotiable (100,000) CD's
7. Wall Street Journal prime
8. Prime rate (Wall Street Journal)
9. Variable based on the 3 mo. CD rate from the Federal Reserve Bank. The revolving credit loans have a variable rate feature tied to prime as reported in the New York Times.
10. Average of New York Times prime rate for month prior to billing date
11. NA - 0

Mortgage Banks and Related Firms:

1. NA - 0
2. 6 month T-bills
3. 0
4. NA (none) - 0
5. 11th District Cost of Funds
6. No information provided
7. NA - 0
8. 0
9. 0
10. None - 0
11. NA - 0
12. NA - 0
13. Treasury Bill rate
14. The prime rate as reported in the money rate column of the Wall Street Journal

Table 10 continued .....

Small Holder Finance Companies:

1. None - 0
2. NA - 0
3. NA - 0
4. Fixed percentage above prime lending rate
5. None - 0
6. NA - 0
7. Not available - 0
8. NA - 0
9. None - 0

Large Holder Finance Companies:

1. NA - 0
2. Bank of America prime
3. NA - 0
4. - 0
5. a. The change of the 6-month T-bill rate with the base being the rate at the time the loan was originated.
   b. The change of the weighted average of two components (the 6-month T-bill and 10-year Treasury bond rate) with the base being the rates at the time the loan was originated.
6. Some rates vary with U.S. Prime rate
7. New York prime interest rate
8. Prime
9. Federal Home Loan Bank of San Francisco -- 11th District Cost of Funds

Small Holder Bank Finance Companies:

1. Weekly average yield on U.S. Treasury Securites adjusted to a constant maturity of one year
2. NA - 0
3. Average prime of New York City banks as published in the Wall Street Journal
4. Prime rate
5. Prime rate
6. Based upon prime lending rates and 3 month, 1, 2, and 5 year Treasury Securities
7. NA - 0
8. None - 0
9. None - 0
10. Security Pacific Bank prime rate
11. None - 0

TABLE 11: INDIRECT LENDING AND SUBORDINATION OF SECOND MORTGAGE DEBT, 1984

I. Percent of Second Mortgages taken as:

	First Lien (#)	First Lien ($)	Third or Greater Lien ($)	Third or Greater Lien ($)
High	40.74%	47.29%	50.00%	13.82%
Low	0	0	0	0
Typical	3.95	0.03	14.95	0
# responses	16	19	16	16
# non-zero responses	10	10	9	2

II. Indirect Lending

A. Percent of all responding Institutions reporting indirect:

	1. Outstandings	2. Originations
Thrifts	33%	17%
C. Banks	27%	18%
M. Banks	23%	38%
S. Fin. Co's	11%	11%
L. Fin. Co's	0%	33%
S.B. Fin. Co's	0%	50%
L.B. Fin. Co's	27%	27%

B. Holders Percentage of Indirect Second Mortgages

	Outstandings	Originations
Thrifts	2.9,6.2	0,0,46
C. Banks	0.5,23.5,54.2	0,0,0,0,0,17.4,100
M. Banks	0,0,0,15.6,100	0,0,0,0,16.1,60,100,100,100
S. Fin. Co's	5.0	0,0,6.9
L. Fin. Co's	0,0	0,0,0,5.6,18.7
S.B. Fin. Co's		17.1, 20.8
L.B. Fin. Co's	0,0,0,0,18.1,27.6,100	0,0,0,0,22.2,78.6,100

TABLE 12: Private Mortgage Insurance Policies of Second Mortgage Lenders, 1984

Thrifts: (33% have PMI policies)

1. Over 80% on owner-occupied. Over 70% non-owner occupied.
2. All loans with LTV over 80% and business for self loans over 50T LTV must have PMI coverage
3. None

Commercial Banks: (18%)

1. PMI on any loan where the CLTV > 80%
2. N/A

Mortgage Bankers: (38%)

1. If you can get it, get it!
2. When CLTV exceeds 80% on owner occupied property, we can go to 90% with PMI. When CLTV exceeds 70% on non-owner occupied property, we can go to 80% with PMI.
3. FNMA requirements on FNMA loans. Other MI coverage when CLTV exceeds 75% (65% for non-owner occupied).
4. FNMA requirements. PMI required where combined LTV exceeds 65%.
5. Loan funded if insured certificate is issued by insuror.
6. We do not require PMI.
7. N/A

Small-holder Non-bank Finance Company: (11%)

1. Residential loan with a current LTV of more than 80% -- Non-owner occupied with current LTV of more than 65%.
2. None
3. PMI not used on second mortgage loans.

Large-holder Non-bank Finance Company: (38%)

1. Life disability, disability, household contents, dwelling and real estate loan payment coverage is sold wherever permitted by state and law within confines of company policy.
2. PMI is required on all second mortgages where the loan-to-value ratio is greater that 75%; however, even with PMI, the maximum loan-to-value ratio is 85%.
3. N/A
4. No PMI used at present.
5. Insure loans exceeding 80% CLTV down to 70% of appraised value.

TABLE 12 continued.....

Small-holder Bank-affiliated Finance Companies: (0%)

1. N/A

Large-holder Bank-affiliated Finance Companies: (18%)

1. None
2. The company no longer requires PMI insurance on loans originated or purchased.
3. All over 85% insured on owner-occupied. Non-owner occupied all over 2/3 insured to 80% value.
4. Any loan with greater than 85% CLTV is insured for 25% coverage.

TABLE 13: SECOND MORTGAGE DELINQUENCY RATES, YEAR-END 1984

	Bank Fin. Co. Large Holders	Bank Fin. Co. Smaller Holders	Other Fin. Co. Large Holders	Other Fin. Co. Small Holders	Commercial Banks	Thrifts	Mortgage Banks	All Respondents
Total Delinquencies over 60 days (17 under 1%)								
High	3.88%	2.59%	5.88%	19.57%	1.11%	2.28%	4.54%	19.57%
Low	0.67	0.50	2.53	4.61	0	0.52	0	0
Typical	1.67	1.03	2.95	7.08	0.15	1.11	0.98	1.15
# Respondents	9	3	3	3	9	4	9	40
Total Delinquencies over 60 Days (#) (16 under 1%)								
High	5.59%	2.89%	4.64%	23.65%	1.34%	2.49%	6.00%	23.65%
Low	0.68	0.69	2.69	4.57	0	0.54	0	0
Typical	1.86	1.47	3.33	12.44	1.28	1.30	1.04	1.50
# respondents	9	3	3	4	9	4	9	41
Delinquencies from 60-89 Days Overdue ($)								
High	1.54%	0.59%	1.91%	14.09%	0.52%	0.89%	4.11%	14.09%
Low	0.26	0.17	0.57	0.50	0	0.10	0	0
Typical	0.49	0.30	0.99	2.84	0.05	0.22	0.42	0.42
# respondents	9	3	3	4	7	4	9	39
Delinquencies from 60-89 Days (#)								
High	1.94%	0.60%	1.35%	14.09%	0.52%	0.71%	3.28%	14.09%
Low	0.35	0.23	0.57	0.81	0	0.19	0	0
Typical	0.56	0.34	1.01	2.26	0.10	0.24	0.31	0.35
# respondents	9	3	3	5	8	4	9	41

TABLE 14: FORECLOSURE POLICIES OF SECOND MORTGAGE LENDERS, 1984

Thrifts:

1. Minimum 90 days delinquency or notice of default of prior liens.
2. Foreclosure proceedings are initiated on any loan past due 60 days or more.
3. Any mortgage that the Collection Manager feels cannot be resolved -- usually beginning at 3 payments behind.
4. After 120 days from non-payment.
5. Customer delinquent 60 + days past due and will not make arrangements to bring current.
6. Accounts 3 months in default and the current appraisal and title search reveal sufficient equity to repay balance plus previous liens are foreclosed.

Commercial Banks:

1. Any mortgage 60 days or more is sent a demand letter. This letter expires after 10 days. If there is no response the account is sent to the attorney for collection.
2. Indirect -- full recourse dealer (third party) pays it off.
   Direct -- assigned to an attorney.
3. Foreclosure proceedings are begun on a 30-day status account.
4. After 90 days -- send 10 day demand letter -- then forward to attorney.
5. Within 100 days, a loan is charged-off and sent to foreclosure department.
6. Loans 90 days past due.
7. An account which is 2 months in arrears and when an accepted form of repayment has not been established.
8. Depending on circumstances files are referred for foreclosure between 60 and 90 days delinquent.
9. Under advisement.
10. When customer is 30 days past due, a notice is sent for immediate payment. After 3 contractual notices (90 days past due), foreclosure proceedings are started.

Mortgage Bankers:

1. Foreclosure proceedings are initiated when the loan is 60 or more days delinquent at the request of the beneficiary.
2. If delinquent over 60 days with no activity or performance, then loan is put into foreclosure.
3. When an account becomes more than 60 days contractually delinquent, foreclosure is initiated unless extenuating circumstances warrant a delay in action. This decision is made by home office.
4. Notice of default (NOD) generally takes place by the 45th day of delinquency. From NOD to trustee sale is approximately 120 days.
5. Foreclosure proceedings begin when an account becomes 90 days past due.
6. Case by case review by Foreclosure Committee.
7. Started when account due for 2 payments and pursued until current or REO.

TABLE 14 continued.....

8. No written foreclosure policy.
9. Start foreclosure when account is 2 payments past due.
10. Upon default of two consequetive payments, the account goes into foreclosure

Small-holder Non-bank Finance Company:

1. No specific policy.
2. When security is in jeopardy due to senior lien being foreclosed or account becomes delinquent 90 days or more.
3. 90 days past due and no payment within the last 30 days.
4. All properties are written down to estimated current realizable value at time of foreclosure.
5. When we determine uncollectable over 60 days past due.
6. Standard Oregon trust deed procedures.
7. When all other efforts prove that the borrower is unable or unwilling to pay the obligation, the foreclosure process will be initiated.
8. All accounts receivable are monitored on a daily basis. We have a full-time collection manager who handles all slow payments, pay-off requests and renewal requests. When a slow account develops, the collection manager is on the phone with them trying to see if the problem is solvable and how to work with the customer in trying to bring him to a current position. If we find that we are unable to contact the customer by phone (they are called both during the day and evening hours) we write a letter to the customer. If we still find the customer unavailable to discuss the problem, we send a Mailgram. If after all of this we still have not contacted the customer, an attorney letter is sent again trying to come up with a satisfactory solution to the matter.

   If after all the above has been tried and the account becomes 60 days delinquent, we then send an Act 6 and Act 911 letter. As a matter of fact, if a customer is completely noncooperative after 30 days, often an Act 6 letter is sent in order to get their attention. If we are still unable to solve the problem with the customer after the Act 6 and Act 91 letters go out, the normal foreclosure procedure is handled by our attorney.

   In addition to the above, we have an in-house real estate broker who is a member of the firm and who will go out to see the property in question to make sure that it is being lived in and is kept in a satisfactory condition.

Larger-holder Non-bank Finance Company:

1. Used only if customer is consistently in arrears and no likelihood seen that the loan will be paid off or customer stopped making payments. Also, if customer abandons the residence or first mortgage records notice of default and is preparing to foreclose.
2. Identify problem second mortgages before they become 60 day items and fill out form requesting Home Office authorization either to protect or not protect interest in the property. Include recommendations of managers, Area Supervisor and Regional Supervisor. In addition, a new professional appraisal should accompany the form.

TABLE 14 continued.....

3. Initiated when first mortgage holder initiates foreclosure proceedings or when it is determined that customers' ability to continue loan payments is in jeopardy -- usually 60-90 days delinquent.
4. Foreclosure preceedings start at the end of the 2 - month delinquency period.
5. Properties are written down to estimated current realizable value at time of foreclosure. Gain on sale of foreclosed properties are recognized in period of sale.
6. Loans are reviewed individually for foreclosure processing only after a thorough collection effort has been achieved and the default has not been cured.
7. Decision is made to foreclose when account is 60 days contractually past due.

Small-holder Bank-affiliated Finance Companies:

1. Foreclosure is determined by individual reviewing of accounts and only foreclosed on an estimate of potential recovery.
2. Individual basis -- after collection and other reasonable efforts unsuccessful. foreclosure proceedings initiated. Upon acquiring title, unpaid balance transferred to foreclosed properties account, but only to the extent that balance does not exceed net realizable value of property. Remaining balance, if any, is charged off.

Large-holder Bank-affiliated Finance Companies:

1. When an account becomes 60 days delinquent a request for legal foreclosure is completed.
2. Foreclosure regarded as least desirable solution, and every effort is utilized to reach an amicable solution. However, if all attempts prove futile, foreclosure is considered. After review and field recommendation, Home Office approval is necessary to commence foreclosure action.
3. Foreclosure proceedings should begin before an account reaches 90 days contractually delinquent.
4. Foreclosed properties are written down to estimated net realizable value at time of foreclosure and adjustments, as required, are made to the net realizable value after the date of foreclosure. Rental and other income is recognized as income upon receipt. Gains on sales of foreclosed properties are offset against non-capitalized expenses.
5. To attorney to collect on foreclosure after 2 payments delinquent, or if notified that first mortgage is in default (immediate).
6. On larger loans we consider starting foreclosure after the second payment is late.
7. After 9 months no pay -- the account is reviewed and considered for foreclosure.
8. Foreclosure process started after 2 payments past due.
9. Foreclosure proceedings are begun prior to the 60th day of default.

TABLE 15: SECOND MORTGAGE FORECLOSURE RATES, 1983 and 1984

	Number		$ Value	
	1983	1984	1983	1984
Total Foreclosures	4020	2413**	$86,028,626	$87,809,936 (34)
Maximum	1009	543	28,591,000	6,181,000
Minimum	0	0	0	0
Average/Respondent	112	64	2,325,098	2,439,165
# respondents	36	39	37	36

Foreclosure Rates (% of year earlier outstandings)

	1983		1984		Typical Value (#) of Responses	
	Low	High	Low	High	1983	1984
Large Bank Fin. Co.	0.20%	0.81%	0.10%	0.75%	0.43% (8)	0.22% (7)
Small Bank Fin. Co.	0.15	1.56	0.18	1.68	0.93 (5)	0.55 (3)
Other Large Fin. Co.	0.42	0.58	0.34	3.04	0.48 (4)	0.42 (4)
Other Smaller Fin Co.	0	2.49	0.50	11.93	1.15 (3)	1.66 (5)
Commercial Banks	0	0	0	0.04	0.0 (2)	0.0 (5)
Thrifts	0	1.21	0	0.58	0.60 (2)	0.40 (3)
Mortgage Banks	0.14	10.53*	0	4.00	2.74 (5)*	1.67 (3)
Other	0.45	0.45	-	-	0.45 (1)	--
Overall	0	10.53*	0	11.93	0.45 (27)	0.36 (29)

* This is high due to mortgage banks that reported foreclosures on serviced loans.

** 4424 foreclosures were reported by 79 respondents on membership renewal and dues voucher forms.

TABLE 16: DETAILS ON 1984 SECOND MORTGAGE FORECLOSURES

	Large Bank Finance Co.	Smaller Holder Bank Finance Co.	Other Large Finance Co.	Other Small Finance Co. Holders	Commercial Banks	Thrifts	Mortgage Banks	All Respondents
Foreclosed Property Taken by Deed (% of Number of Foreclosures)								
High	33.3%	- -	- -	57.1%	- -	0.9%	100%	100%
Low	0	- -	- -	0	- -	0	5.7	0
Typical (Avg)	4.3	84.2	- -	50.0	- -	0.4	17.5	25.5*
Responses	4	1	0	3	0	2	3	13
Foreclosed Property taken by Legal Process (% of Number of Foreclosures)								
High	100.0%	100.0%	- -	100.0%	- -	99.1%	94.3%	100.0%
Low	66.7	31.6	- -	42.9	- -	20.0	0	0
Typical (Avg)	96.2	100.0	74.1	50.0	100.0	59.6	82.5	75.14*
Responses	5	3	1	3	1	2	3	18
Foreclosed Property Liquidated (Number Liquidated as % of 1984 Foreclosures)								
High	110.3%	89.5%	116.6%	100.0%	- -	83.6%	100.0%	116.8%
Low	73.1	87.9	111.8	0	- -	0.1	11.4	0
Typical (Avg)	93.0	88.7	114.2	60.5	50.0	42.3	87.3	74.1
Responses	4	2	2	4	1	2	3	18
Foreclosed Property Sold (Number Sold as % of 1984 Foreclosures)								
High	166.7%	89.5%	111.8%	138.7%	- -	144.4%	100.0%	166.7%
Low	73.1	55.6	61.5	26.0	- -	0.1	13.0	0.1
Typical (Avg)	103.4	87.9	108.7	75.0	50.0	72.3	85.7	84.4
Responses	5	3	3	4	1	2	3	21
Dollars Realized on Sale Value of Property Sold (% of value of liens) -- 7 of 13 below 100%								
High	140.8%	- -	- -	- -	- -	316.7%	118.1%	316.7%
Low	14.1	- -	- -	- -	- -	12.7	82.3	12.7
Typical (Avg)	100.0	104.4	79.2	95.6	- -	164.7	90.4	103.8
Responses	5	1	1	1	0	2	3	13

*Average of all responses.

TABLE 17: SECOND MORTGAGE CHARGEOFFS IN 1984

Total Chargeoffs & Loss Allowances

		# Observations
Gross Losses	$69,948,834	50
Recoveries	10,151,175	45
Net Losses	47,771,886	49
Allowance for Losses	160,903,959	43

	Large Bank Finance Co.	Smaller Holder Bank Finance Co.	Other Large Finance Co.	Other Smaller Finance Co. Holders	Commercial Banks	Thrifts	Mortgage Banks	All Respondents
				Recoveries as a % of Gross chargeoffs				
High	268.2%	34.4%	26.7%	73.9%	45.7%	63.7%	8.5%	268.2%
Low	3.0	4.1	5.6	0	6.7	0	0	0
Typical	20.4	22.6	12.7	2.4	26.2	18.1	3.1	25.0%*
Responses	10	3	3	6	2	3	4	29
				Net Chargeoffs as % of Average Net Outstandings*				
High	1.39%	0.58%	3.39%	4.20%	0.05%	0.26%	2.11%	4.20%
Low	0.03	0.15	0.00	0.17	0	0	0	0
Typical	0.31	0.52	0.85	3.37	0.00	0.10	0.03	
Average								0.69
Responses	9	3	5	5	6	4	5	37
				Net Chargeoffs as % of Previous Year-End Net Outstandings ($)				
High	1.33%	0.66%	0.94%	4.97%	0.12%	0.27%	3.16%	4.97%
Low	0.05	0.16	0.00	0.87	0	0.08	0	0
Typical	0.35	0.53	0.59	4.50	0.03	0.10	0.03	
Average								0.66
Responses	8	3	4	3	6	4	5	33

*Average for all respondents, mortgage banks and others ratios are inflated to the extent they report chargeoffs on loans serviced but not owned.

**May be overstated slightly if companies reported gross chargeoffs.

TABLE 18: CHARGE-OFF POLICIES OF SECOND MORTGAGE LENDERS, 1984

Thrifts:

1. 120 days non-real estate secured. Actual loss as determined by appraisal for real estate.
2. Second mortgages that are considered uncollectible through normal collection procedures, are renewed and authorized to charge-off by the Consumer Loan Committee.
3. Any loan more than 6 months in arrears with no payment for 6 months; judgement of Collections Manager; or, uncollectible.
4. At foreclosure.
5. Account 180 days plus if there is a small balance or in which foreclosure will not improve our position due to value of property.
6. Charge-off after 6 payments in default and no payment in 6 months. Charge-off after foreclosure/repossession and sale if deficiency exists.

Commercial banks:

1. This institution pursues all legal means to recover losses. When this action becomes unprofitable the outstanding balance is charged off.
2. Indirect paper is full recourse -- originating dealer must buy it back.
3. Any loan where our balance is more than the appraised value. Any second mortgage balance which we let 1st mortgage foreclose.
4. Our collectors handle the charge-offs.
5. When a loan is recognized as a loss, within 100 days, it is charged off.
6. Simple interest loans 5 months in default, discounted loans 7 months in default.
7. 120 days delinquent.
8. Any loan on which a deficiency balance exists after sale of the property charged off.
9. 120 days past due.
10. When a loan is 90 days past due, it is charged off.

Mortgage Bankers:

1. Not applicable
2. Unrealized return on REO after 24 months.
3. None
4. Any account which is 180 days (6 months) contractually past due must be in foreclosure or charged to the reserve.
5. All loans are subject to the charge-off policies of each investor we service. They vary from one to another.
6. When an account becomes 5 installments past due it is charged off.
7. Losses not recovered through the sale of property and mortgage insurance claims, if any, charged off.

TABLE 18 continued.....

8. Case by case basis review by senior management.
9. Charge-off occurs after properties are liquidated.
10. No written foreclosure policy.
11. Charge-off balance, if any, after foreclosure or if property condemned and no value.

Small-holder Non-bank Finance Companies:

1. All accounts date of last payment one year or prior and deemed uncollectible.
2. Small delinquent balances where foreclosure is too costly or negative equity.
3. Account must be 6 months past due and 6 months no pay.
4. Loans secured by real estate which have not paid the equivalent of one regular installment amount in the prior three months are reviewed monthly and the balance or portion thereof deemed uncollectible is written off.
5. Once a year, anything over 90 days past due.
6. We charge-off all bad loans at date loss is established.
7. Based on loan by loan review of all receivables , provisions for credit losses are charged to income in amounts sufficient to maintain the allowance at a level adequate to cover anticipated losses resulting from future liquidation of existing portfolio.
8. Delinquent accounts are reviewed on a monthly basis. When we decide to foreclose, we then re-review the file and if we feel there is a property loss, the account is written down.

Large-holder non-bank Finance Companies:

1. No payment for 180 days or sooner is clearly a loss.
2. No payment received in 9 months and the account is at least 9 months in arrears.
3. After sale of foreclosed property.
4. When an active bad debt account is more than 7 months overdue, both contractually and by recency, it is written down to the anticipated net realizable value. It may be reviewed periodically for futher reduction for a period not to exceed 24 months, or until it is sold.
5. Consumer Notes Receivable secured by real estate are generally written down to the value of the collateral by a charge against the reserve for doubtful receivables when repossession of the collateral actually occurs or is deemed likely.
6. Accounts are charged off when they are contractually past due at least one month and on which no payment of at least 1/2 of one contractual installment was made in the aggregate, during 6 month period.
7. Loans are reviewed for charge-off when the costs to protect our security are greater than our loan amount or the amount of money projected through a foreclosure action (REO).
8. Charged to loss when uncollectible, no collateral value, or 12 months contractually past due.

TABLE 18 continued.....

Small-holder Bank-affiliated Finance Companies:

1. Each month, installment notes receivable are charged off when the aggregate payment in the last 6 months is less than one full original contract payment or when, in the opinion of management, they are uncollectible or are deemed to be uneconomic to administer.
2. Each delinquent account is reviewed monthly and any significant amount that is potentially a loss is charged off.
3. Individual basis, but charge-off occurs not later than the time of foreclosure.

Large-holder Bank-affiliated Finance Companies:

1. It is the company's policy to charge-off real estate secured and sales finance contracts when they become 180 days contractually delinquent.
2. The company's charge-off policy is based on contractual delinquency. Generally accounts are charged off in the month that they become 6 months contractually delinquent.
3. An account positively identified as a loss because of a bankruptcy discharge, death (no estate), court rulings, lower market value than receivable, etc., regardless of contractual delinquency is charged off.
4. Accounts are placed into foreclosure status or charged off at three months recency. Accounts in foreclosure will be written down to current appraised value at time real estate is acquired.
5. Board of directors action after appraisal comparing realistic value versus indebtedness.
6. After 9 months no pay -- the account will be reviewed and considered for charge-off.
7. Deficiency balance after property liquidated.
8. None
9. Whenever an actual loss occurs or whenever a loss is recognized.
10. All finance receivables which appear uncollectible or require inordinate collection costs are written off. In any event, delinquent direct installment loans and sales finance contracts are written off for financial reporting if no payment is applied during the three-month period immediately preceding the balance sheet date, except, on loans over $25,000, those portions of the balances determined to be fully secured by real estate.

TABLE 19: INCOME RECOGNITION POLICIES OF SECOND MORTGAGE LENDERS, 1984

Thrifts:

1. Accrual
2. Accrual
3. GAP (General Accounting Priciples)
4. Add-on -- Rule of 78's -- old portfolio simple interest on portfolio originated since 9/1/83.
5. Accrual; income is recognized when earned.

Commercial Banks:

1. Accrual basis
2. Cash
3. Indirect: HEL Fixed Loans -- modified Accrual
   HEL Revolving Loans -- simple interest
4. Accrual
5. Accrual
6. Equity

Mortgage Bankers:

1. Commission
2. Accrual
3. Cash basis on installment note receivables -- accrual otherwise.
4. Cost basis
5. The accrual basis.
6. Finance charges on precomputed loans recognized as income using Rule of 78's. Interest bearing basis.
7. Cash
8. Accrual basis of accounting.
9. Cash basis
10. Accrual method

Small-holder Non-bank Finance Company:

1. Actuarial on precomputed.
2. Accrual
3. Cash basis
4. Interest on loan receivables: Income from precomputed real estate loan receivables is earned on the actuarial basis; income from interest-bearing receivables is earned as collected.
5. Accrual
6. As earned method.

TABLE 19 continued.....

Large-holder Non-bank Finance Company:

1. Precomputed: Rule of 78
   Per diem: as collected and accrued
2. Finance charges on discounted loans are generally taken into income as earned and collected under the sum-of-the-digits methods. Interest from interest-bearing direct cash loans is taken into income as collected. Finance charges on bank credit card receivables are taken into income as earned.
3. Interest bearing / Rule of 78's
4. Primarily simple interest at the contract rate with points earned by the actuarial method.
5. The combination method.
6. Rule of 78's and simple actualization
7. Accrual basis
8. Collection method

Small-holder Bank-affiliated Finance Companies:

1. Accrual
2. Accrual
3. Accrual Basis of accounting -- actuarial method applied to deferred finance income including origination fees.
4. Accrual Basis on interest.
   Sum of digits collection on finance charges.

Large-holder Bank-affiliated Finance Companies:

1. Liquidating Accrued
2. Effective yield (actuarial) method
3. Accrual
4. Interest income is recognized on the accrual basis of accounting loans, secured by other than 1 to 4 family dwelling that become 90 days past due are put on non-accrual status (no income accrued).
5. Cash basis for consumer receivables and accrual basis for commercial receivables.
6. Proprietary information
7. Sum of digits or actuarial-discount loans; Accrual -- interest bearing loans.
8. Accrual method up to 90 days.
9. Accrual
10. For accounts dated prior to January 1, 1984, with maturities of 84 months or less, income is earned by the actuarial method or the sum-of-the-digits method to correspond with the method of refunding in the event the receivable is paid in full prior to maturity; the actuarial method is used for accounts with maturities over 84 months. For accounts dated on or after January 1, 1984, income is earned by the actuarial method.

TABLE 20: PROFITABILITY OF SECOND MORTGAGE LENDERS, 1984

PRETAX INCOME AS % OF AVERAGE EQUITY

For Second Mortgages Only

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	33.90%	66.35%					120.40%
Low	12.37%	28.49%					3.82%
Typical	32.37%	47.42%	24.87%			325.57%	43.99%
#	3	2	1	0	0	1	4

For Full Portfolio

High	49.46%	39.16%	41.79%	134.32%		325.57%	120.40%
Low	12.38%	27.17%	9.75%	11.76%		-11.11%	29.80%
Typical	26.81%	28.50%	20.06%	49.99%		157.23%	40.42%
#	8	3	4	4	0	2	5

PRETAX INCOME AS % OF AVERAGE OUTSTANDINGS

For Second Mortgages Only

High	4.10%	6.35%		14.04%			
Low	1.66%	3.81%		0.37%			
Typical	2.97%	5.08%	2.57%	2.16%	0.43%	0.41%	1.99%
#	3	2	1	2	1	1	1

For Full Portfolio

High	8.66%	7.26%	3.00%	37.34%	11.09%	2.73%	77.13%
Low	1.72%	3.79%	1.64%	0.61%	0.43%	0.34%	1.95%
Typical	3.75%	5.05%	2.29%	2.66%		1.54%	6.12%
#	10	3	4	3	2	2	4

TABLE 21: INTEREST INCOME AND EXPENSE OF SECOND MORTGAGE LENDERS, 1984

Gross Interest Income as Percent of Average Second Mortgage Receivables

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	21.71%	17.66%	20.38%	19.92%	14.49%	17.97%	26.31%
Low	14.13	17.45	17.38	13.87	13.86	14.76	7.94
Typical	15.97	17.55	19.87	17.05	14.25	16.37	14.60
#	5	2	4	3	3	2	4

Average Portfolio Outstandings

High	36.80%	23.86%	24.11%	33.00%	14.49%	14.54%	30.01%
Low	13.89	19.93	15.31	18.21	12.74	12.43	6.09
Typical	19.49	19.94	20.15	20.07	13.20	14.01	14.35
#	10	3	5	4	3	3	5

Gross Interest Expense as % of Borrowings to Carry Second Mortgages

High	11.93%	12.40%	10.97%				16.17%
Low	9.41	11.47	4.06				9.55
Typical	10.96	11.94	7.36		10.58%		12.00%
#	4	2	3	0	1	0	5

Total Borrowings

High	12.00%	12.39%	10.97%	15.32%	11.20%		16.17%
Low	9.29	10.58	4.06	10.05	10.58		9.55
Typical	11.38	11.47	9.48	11.25	10.89	12.99%	11.90
#	9	3	5	5	2	1	6

TABLE 22: SECOND MORTGAGE LENDERS' REVENUES, 1984

Total Revenues Related to Second Mortgages/Average Net Second Mortgage Holdings

	LBFCo's	SBFCo's	LFCo's	SFCo's	CBanks	Thrifts	M. Bankers
High	22.65%	18.61%	22.15%	26.03%	15.53%	18.59%	550.56%
Low	14.78	18.21	16.23	6.76	14.46	18.00	15.46
Typical	16.22	18.41	19.36	15.55	15.00	18.29	36.15
#	6	2	5	4	2	2	5

Total Revenues/Average Net Portfolio Holdings

High	45.26%	27.82%	28.25%	35.31%	15.53%	18.11%	422.04%
Low	14.28	22.88	15.52	10.50	14.50	15.57	15.13
Typical	20.53	23.03	20.12	22.32	15.02	15.66	34.16
#	10	3	6	5	2	3	5

Noninterest Sources of Revenue (% of average net seconds outstanding)
Distribution of Responses (appicable to second mortgages)

	Service Fees	Prepayment Penalties	Insurance and Other Revenue
Thrifts	0,2.01	0,0.03	0,1.21
C. Banks	0,0,0,0.24	0,0.004	0,0.26
M. Banks	0,7.57	0,0.74	0.03,0.10,5.09,19.64
SH-NB Fin. Co.	0,0,0.17,4.89,5.53	0,0,0	0.09,0.58
LH-NB Fin. Co	0,0	0,0,0.33	0,0
SH-B Fin. Co.	0,0.54	0	0.84
LH-B Fin. Co.	0,0,0,0,0	0,0,0,0.12,0.14	0.02,0.12,0.81

Noninterest Sources of Revenue (%of average Net Second Mortgage Originations)
Distribution of Responses

	Origination Fees	Brokerage Fees	Insurance and Other Revenues
Thrifts	0,0,0.37,0.95	0,0.54	0,3.0
C. Banks	0,0.10,0.99,4.29	0,0,1.06,1.07	0,0,0.39
M. Banks	0.54,1.39,2.29,2.67, 3.67,6.76	0,0.08,0.28.0.48	0,0.07,0.08,0.26, 0.57,2.45
SH-NB Fin. Co.	0,2.08	0,0	0.11,0.56
LH-NB Fin. Co.	0,0.001,3.69	0,0,0.42,2.84	0,0
SH-B Fin. Co.	0,0.83	0,0.03	2.17
LH-B Fin. Co.	0,0,0.84,1.44	0,0,0.07,2.98	0.25,0.32,2.25

TABLE 23: KEY STATE DATA 1984

(Number of respondents for each item is given in parentheses)

STATE	(1) Total Reported Outstandings	(2) Total Reported Originations	(3) Average APR	(4) Average 60 day + Delinquency Rate	(5) Number of Foreclosures
1.Alabama	$134,839,770 (11)	$51,337,137 (10)	16.96% (8)	0.93% (8)	23 (3)
2.Alaska	1,536,000 (1)	1,125,999 (1)	19.63 (1)	2.26 (1)	- -
3.Arizona	362,241,666 (13)	129,068,825 (11)	16.17 (11)	1.77 (12)	104 (8)
4.Arkansas	- -	- -	- -	- -	- -
5.California	2,614,031,776 (17)	1,002,418,604 (16)	16.74 (14)	2.34 (13)	442 (12)
6.Colorado	456,615,601 (13)	187,708,559 (12)	16.31 (11)	2.01 (11)	80 (7)
7.Connecticut	108,052,759 (9)	45,432,199 (8)	15.98 (7)	1.08 (7)	11 (5)
8.Delaware	31,449,107 (7)	19,924,050 (6)	18.08 (4)	0.97 (5)	0 (1)
9.Florida	629,261,319 (19)	227,800,596 (17)	15.92 (14)	2.02 (15)	169 (12)
10.Georgia	272,610,241 (20)	159,812,963 (19)	16.75 (17)	0.53 (18)	17 (13)
11.Hawaii	51,893,000 (2)	16,589,501 (2)	16.70 (2)	1.14 (2)	- -
12.Idaho	46,936,035 (6)	16,155,368 (6)	17.01 (5)	2.09 (6)	5 (2)
13.Illinois	177,230,110 (10)	90,304,005 (8)	16.69 (8)	1.72 (8)	29 (5)
14.Indiana	200,256,117 (13)	88,056,449 (10)	17.59 (8)	2.12 (11)	26 (5)
15.Iowa	75,384,630 (5)	32,063,721 (5)	17.66 (4)	4.62 (4)	- -
16.Kansas	95,658,551 (10)	36,418,704 (8)	17.92 (8)	4.52 (7)	32 (3)
17.Kentucky	73,829,875 (12)	38,181,606 (11)	18.27 (7)	1.09 (10)	5 (5)
18.Louisiana	111,113,605 (11)	41,583,487 (10)	17.23 (9)	1.85 (10)	23 (5)
19.Maine	2,030,557 (1)	601,470 (1)	- -	0.06 (1)	- -
20.Maryland	293,881,257 (15)	180,528,238 (14)	16.50 (10)	0.77 (10)	6 (8)
21.Massachusetts	147,770,758 (12)	98,985,916 (11)	15.84 (8)	0.90 (10)	4 (6)
22.Michigan	31,055,977 (3)	15,583,714 (3)	18.39 (2)	0.54 (2)	0 (1)
23.Minnesota	126,809,241 (6)	72,673,834 (6)	16.80 (5)	2.04 (5)	0 (1)
24.Mississippi	53,919,256 (9)	23,341,182 (8)	18.45 (7)	3.11 (6)	3 (1)

25.Missouri	109,427,659	(9)	52,679,864	(8)	17.82	(7)	0.85	(6)	15	(2)
26.Montana	15,448,667	(3)	8,769,299	(3)	17.04	(2)	3.45	(3)	5	(1)
27.Nebraska	25,341,954	(4)	9,791,929	(4)	17.71	(3)	2.22	(3)	4	(1)
28.Nevada	48,677,533	(5)	16,671,550	(5)	15.94	(4)	2.13	(5)	0	(2)
29.New Hampshire	36,313,491	(6)	22,335,695	(6)	16.06	(5)	0.81	(6)	1	(2)
30.New Jersey	539,764,155	(12)	335,381,675	(12)	15.88	(9)	4.44	(11)	62	(6)
31.New Mexico	51,894,442	(10)	29,327,054	(9)	16.46	(9)	2.00	(7)	8	(3)
32.New York	264,214,831	(12)	197,071,997	(12)	16.35	(11)	0.95	(11)	26	(7)
33.North Carolina	358,698,519	(12)	142,701,499	(11)	16.29	(9)	0.71	(10)	21	(3)
34.North Dakota	51,000	(1)	35,901	(1)	17.63	(1)	0	(1)	-	-
35.Ohio	489,780,882	(12)	262,593,202	(11)	17.39	(8)	2.92	(9)	90	(4)
36.Oklahoma	294,186,314	(13)	102,999,029	(12)	17.30	(10)	3.58	(8)	39	(4)
37.Oregon	221,176,354	(10)	54,507,245	(9)	17.20	(9)	5.13	(9)	84	(5)
38.Pennsylvania	485,136,051	(13)	297,353,144	(13)	17.45	(9)	2.28	(10)	21	(5)
39.Rhode Island	26,801,857	(5)	17,040,797	(5)	15.22	(4)	0.82	(5)	0	(1)
40.South Carolina	175,495,078	(13)	72,811,719	(12)	17.02	(9)	1.11	(10)	16	(7)
41.South Dakota	5,334,081	(4)	2,359,027	(4)	19.02	(3)	5.73	(4)	1	(1)
42.Tennessee	130,895,121	(13)	57,854,747	(12)	18.45	(9)	3.47	(8)	10	(4)
43.Texas	137,625,583	(9)	78,497,228	(8)	13.73	(6)	0.58	(7)	5	(4)
44.Utah	89,158,562	(9)	32,250,922	(8)	17.12	(7)	2.78	(8)	102	(5)
45.Vermont	1,694,000	(1)	1,127,000	(1)	17.90	(1)	-	-	-	-
46.Virginia	316,695,822	(14)	113,426,615	(13)	16.25	(10)	0.70	(11)	17	(7)
47.Washington	125,646,200	(7)	47,416,760	(6)	17.83	(6)	2.57	(7)	7	(3)
48.West Virginia	43,292,967	(7)	18,122,926	(5)	17.69	(5)	2.73	(6)	10	(3)
49.Wisconsin	105,996,028	(5)	54,400,316	(5)	17.02	(4)	3.15	(4)	-	-
50.Wyoming	12,914,515	(4)	3,438,999	(4)	20.24	(4)	8.85	(4)	1	(1)
51.Washinton D.C.	19,096,600	(3)	8,231,400	(3)	14.41	(2)	2.26	(2)	6	(2)
52.Ontario	1,520,000	(1)	898,800	(1)	18.83	(1)	-	-	-	-
53.Puerto Rico	87,513	(1)	-	-	-	-	0.00	(1)	0	(1)

TABLE 24A: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE - 1934

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Average Size of Originations	(4) Ratio of Foreclosure to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings	(6) Comparative Ratio of A.P.R. to Overall A.P.R.
1.Alabama	49.28% (10)	99.96% (9)	$13,963 (7)	2.28% (3)	680.04% (5)	100.40% (8)
2.Alaska	73.31% (1)	100.85% (1)	$17,873 (1)	0 (1)	----------	114.93% (1)
3.Arizona	61.87% (11)	89.32% (11)	$24,120 (8)	1.40% (7)	74.84% (9)	98.43% (11)
4.Arkansas	----------	----------	----------	----------	----------	----------
5.California	53.64% (15)	85.05% (14)	$38,000 (13)	3.61% (9)	101.31% (11)	98.64% (11)
6.Colorado	58.07% (12)	121.65% (12)	$24,090 (9)	1.22% (6)	60.24% (8)	99.21% (11)
7.Connecticut	49.42% (8)	106.42% (8)	$28,596 (8)	0.40% (1)	60.06% (5)	99.21% (11)
8.Delaware	63.45% (6)	137.04% (5)	$15,439 (5)	0.00% (1)	23.14% (4)	103.31% (4)
9.Florida	40.35% (15)	77.85% (15)	$21,059 (14)	1.07% (9)	71.75% (13)	99.36% (13)
10.Georgia	62.08% (17)	117.62% (17)	$21,380 (16)	0.33% (11)	34.59% (14)	100.15% (17)
11.Hawaii	33.55% (2)	69.96% (2)	$35,742 (2)	0.002% (2)	----------	96.11% (2)
12.Idaho	38.54% (6)	86.08% (6)	$19,294 (3)	0.41% (2)	58.94% (2)	97.99% (5)
13.Illinois	45.63% (8)	92.90% (8)	$17,064 (5)	2.59% (2)	42.82% (3)	101.06% (8)
14.Indiana	46.69% (10)	78.96% (10)	$15,027 (7)	1.45% (5)	111.25% (7)	103.00% (8)
15.Iowa	37.55% (5)	72.45% (5)	$19,683 (3)	----------	161.81% (1)	102.81% (4)
16.Kansas	53.74% (8)	101.96% (8)	$14,854 (5)	2.09% (3)	112.58% (4)	102.48% (8)
17.Kentucky	61.02 (11)	106.72% (10)	$13,195 (8)	1.24% (4)	40.66% (7)	107.78% (7)
18.Louisiana	39.25% (10)	83.19% (10)	$19,132 (7)	2.01% (5)	108.43% (6)	102.60% (9)

TABLE 24B: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE - 1984

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Average Size of Originations	(4) Ratio of Foreclosures to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings	(6) Comparative Ratio of A.P.R. to Overall A.P.R.
19.Maine	29.62% (1)	43.58% (1)	----------	----------	----------	----------
20.Maryland	60.35% (13)	121.67% (13)	$23,513 (10)	0.21% (5)	42.80% (6)	100.76% (10)
21.Massachusetts	80.85% (11)	155.23% (11)	$24,495 (8)	0.07% (5)	44.65% (6)	98.70% (8)
22.Michigan	65.88% (3)	190.21% (3)	$12,947 (2)	0.00% (1)	36.89% (1)	103.08% (2)
23.Minnesota	57.59% (6)	92.84% (6)	$21,054 (4)	----------	27.93% (2)	98.71% (5)
24.Mississippi	44.14% (8)	102.47% (8)	$11,959 (5)	1.28% (3)	36.02% (2)	106.39% (7)
25.Missouri	59.51% (8)	111.68% (8)	$14,634 (6)	10.54% (2)	54.58% (3)	102.98% (7)
26.Montana	55.60% (3)	117.00% (3)	$23,516 (2)	2.03% (1)	----------	98.09% (2)
27.Nebraska	82.31% (4)	156.95% (4)	$14,416 (3)	2.43% (1)	116.85% (1)	101.04% (3)
28.Nevada	46.51% (5)	84.86% (5)	$24,826 (3)	0.00% (1)	26.46% (2)	98.21% (4)
29.New Hampshire	61.22% (6)	101.44% (6)	$21,785 (5)	0.00% (1)	11.59% (3)	99.52% (5)
30.New Jersey	95.18% (10)	149.13% (9)	$23,531 (10)	0.26% (5)	74.61% (8)	100.54% (7)
31.New Mexico	73.04% (9)	145.16% (9)	$23,413 (6)	0.78% (3)	82.95% (5)	100.11% (9)
32.New York	72.64% (12)	137.56% (12)	$28,376 (9)	0.16% (6)	65.22% (8)	101.26% (6)
33.North Carolina	52.01% (11)	106.37% (10)	$15,511 (8)	0.30% (6)	59.16% (7)	99.55% (9)
34.North Dakota	70.39% (1)	96.84% (1)	$11,976 (1)	----------	----------	103.22% (1)
35.Ohio	59.75% (11)	100.28% (9)	$16,288 (9)	0.67% (4)	136.21% (6)	100.95% (8)
36.Oklahoma	57.73% (11)	111.963% (10)	$18,294 (9)	1.65% (4)	114.84% (7)	102.10% (10)

APPENDIX

THE 1985 NSMA QUESTIONNAIRE

TABLE 24C: AVERAGE RATIOS APPLICABLE TO LENDERS IN EACH STATE - 1984

STATE	(1) Ratio of Originations to Outstandings	(2) Comparative Ratio of Originations to Outstandings	(3) Average Size of Originations	(4) Ratio of Foreclosures to Outstandings	(5) Comparative Ratio of Delinquencies to Outstandings	(6) Comparative Ratio of A.P.R. to Overall A.P.R.
37.Oregon	36.05% (9)	88.82% (9)	$21,130 (9)	3.79% (5)	137.62% (5)	100.80% (9)
38.Pennsylvania	116.84% (12)	189.53% (12)	$17,353 (10)	0.13% (4)	115.69% (6)	104.95% (9)
39.Rhode Island	59.15% (5)	108.46% (5)	$22,960 (3)	0.00% (1)	118.62% (1)	96.96% (4)
40.South Carolina	53.67% (12)	106.56% (11)	$15,993 (9)	0.55% (6)	54.05% (8)	99.95% (9)
41.South Dakota	35.07% (2)	89.04% (4)	$ 7,230 (2)	0.88% (1)	159.35% (2)	106.73% (3)
42.Tennessee	59.05% (12)	117.50% (11)	$14,082 (8)	0.69% (3)	76.84% (6)	101.73% (9)
43.Texas	54.51% (7)	119.64% (7)	$25,768 (4)	0.63% (3)	114.10% (5)	80.97% (6)
44.Utah	35.98% (8)	80.14% (8)	$21,036 (5)	0.90% (4)	89.43% (5)	101.40% (7)
45.Vermont	66.53% (1)	180.93% (1)	$13,259 (1)	----------	----------	100.56% (1)
46.Virginia	49.70% (13)	91.51% (12)	$21,596 (10)	0.74% (6)	41.16% (8)	100.15% (10)
47.Washington	46.74% (6)	108.39% (6)	$22,220 (3)	0.30% (2)	106.99% (4)	102.32% (6)
48.West Virginia	62.11% (5)	125.21% (4)	$13,010 (4)	3.29% (3)	200.02% (3)	104.38% (5)
49.Wisconsin	52.80% (5)	92.24% (5)	$19,592 (3)	----------	81.43% (1)	99.03% (4)
50.Wyoming	23.53% (4)	55.05% (4)	$15,418 (2)	0.80% (1)	311.95% (2)	118.44% (4)
51.Wash. D.C.	36.83% (3)	63.70% (3)	$57,438 (3)	4.45% (1)	138.30% (2)	99.14% (2)
52.Ontario	59.13% (1)	131.13% (1)	$24,292 (1)	----------	----------	100.71% (1)
53.Puerto Rico	----------	----------	----------	----------	----------	----------

NATIONAL SECOND MORTGAGE ASSOCIATION
EXECUTIVE DIRECTOR - Suite 308, 1166 DeKalb Pike, Center Square, Pennsylvania 19422 / (215) 277-3740
Toll Free Number Outside Pennsylvania 1-800-342-1121

IDENTIFYING NUMBER OF FIRM: ____ ____ ____ ____
(Assigned by NSMA)

TYPE OF FIRM:
(Check one)

____ 1. Finance Company
____ 2. Mortgage Banker
____ 3. Commercial Bank
____ 4. Savings & Loan Association
____ 5. Mutual Savings Bank
____ 6. Other (Specify)
_____
_____

TYPE OF AFFILIATION (If Any):
(Check one)

____ 1. None
____ 2. Subsidiary of bank or bank holding company
____ 3. Affiliate of savings and loan or mutual savings bank
____ 4. Subsidiary of non-depository institution (specify type of institution) _____
_____
____ 5. Other (Specify)
_____
_____

INSTRUCTIONS:

1. In answering the questionnaire, show whole dollar figures. (Do not round to the nearest thousand.)
2. See definitions at the end of the questionnaire.
3. Unless stated otherwise, report dollar amounts on Net Basis.

The following information is for the fiscal year ended: (Check one)

_____ **December 31, 1984** **OR** _____
(Specify date closest to year end for which data are available)

	MOST RECENT FISCAL YEAR-END		PREVIOUS YEAR	
	SECOND MORTGAGE	FULL PORTFOLIO	SECOND MORTGAGE	FULL PORTFOLIO
I. Volume and Outstanding Data Indicators				
1. Loans receivable outstanding and owned at end of fiscal year				
A. Number of loans outstanding	_____	_____	_____	_____
B. Gross balances outstanding (includes precomputed finance charges plus principal balances outstanding)	_____	_____	_____	_____
C. Net balances outstanding (includes principal balance only)	_____	_____	_____	_____
D. Average loans outstanding (check one)				
☐ (1) Daily				
☐ (2) At beginning and end of month				
☐ (3) At beginning and end of quarter				
☐ (4) At beginning and end of year				
☐ (5) Other (specify)				
_____				
_____				
E. Average gross receivable outstanding	_____	_____	_____	_____
F. Average net receivable outstanding	_____	_____	_____	_____
G. Number of revolving loans outstanding	_____	_____	_____	_____
H. Balances of revolving loans outstanding	_____	_____	_____	_____

	MOST RECENT FISCAL YEAR SECOND MORTGAGE NUMBER	MOST RECENT FISCAL YEAR SECOND MORTGAGE DOLLAR	PREVIOUS YEAR SECOND MORTGAGE NUMBER	PREVIOUS YEAR SECOND MORTGAGE DOLLAR
2. Volume of second mortgage loans originated during the fiscal year				
A. Gross Balance Outstanding				
B. Net Balance Outstanding				
C. Balance Renewed check if gross ☐ or net ☐				
D. New Money				
3. Volume of real estate secured revolving lending originated				
4. Second mortgages receivable outstanding that were serviced but not owned at end of fiscal year				
A. Gross Balance Outstanding				
B. Net Balance Outstanding				
5. Volume of second mortgage purchased during fiscal year				
A. Gross Balance Outstanding				
B. Net Balance Outstanding				
6. Volume of second mortgage loans sold to other than affiliated company during the fiscal year				
7. A. Volume of reported second mortgage loans where your mortgage has first position				
B. Volume of reported second mortgage loans where your mortgage has second position				
C. Volume of reported second mortgage loans where your mortgage has third position				

	MOST RECENT FISCAL YEAR		PREVIOUS YEAR	
	SECOND MORTGAGE		SECOND MORTGAGE	
	NUMBER	DOLLAR	NUMBER	DOLLAR
8. A. Volume of second mortgage loans where the mortgage has an adjustable rate feature	_____	_____	_____	_____
B. What type of index is used to adjust the rate?				
_____				
_____				
C. Volume of second mortgage loans where the mortgage is a term (balloon) note, when the term is greater than one year and any loans that have a call provision.	_____	_____	_____	_____
D. Volume of second mortgage loans where the mortgage is a fully amortized fixed rate loan	_____	_____	_____	_____
9. Outstandings of direct and indirect loans where an indirect loan is a loan which is originated by a third party for a fee				
A. Direct loan net balance outstanding	_____	_____		
B. Indirect loan net balance outstanding	_____	_____		
10. Volume of direct and indirect loans originated				
A. Direct loan net balance originated	_____	_____		
B. Indirect loan net balance originated	_____	_____		

	MOST RECENT FISCAL YEAR	
	SECOND MORTGAGE ONLY	FULL PORTFOLIO
II. Sources of Funds and Profitability		
11. Average borrowings during fiscal year (Based on average debt outstanding daily ☐; at beginning or end of each month ☐; quarter ☐; or year ☐ (check one).		
12. Average stockholders' equity during fiscal year (Based on average equity outstanding daily ☐; or at beginning and end of each month ☐; quarter ☐; or year ☐ (check one)).		
13. Interest expense for the fiscal year.		
14. Gross revenue for the fiscal year		
A. What type of income recognition method is used?		
B. Gross interest income		
C. Mortgage servicing fee income		
D. Origination fee on loans acquired for own account		
E. Brokerage fee on loans and other fee income		
F. Prepayment penalties		
G. Insurance and other non-fee revenue		
15. Income before income taxes for the fiscal year		

	SECOND MORTGAGE ONLY		
	HIGH	AVG.	LOW
16. Range of APR on loans originated during the year			

III. Contractual Delinquencies and Charge-offs

	MOST RECENT FISCAL YEAR SECOND MORTGAGE NUMBER	MOST RECENT FISCAL YEAR SECOND MORTGAGE UNPAID BALANCES INCLUDING LOANS AND FORECLOSURES BUT NOT OWNED
17. Contractual Analysis (Based on terms in effect at statement date and applicable to precompute, add-on, discount, and interest bearing accounts)		
A. Accounts current and with instalments past due less than 60 days	_____	_____
B. Accounts past due: 60 - 89 days	_____	_____
C. Accounts past due: 90 - 179 days	_____	_____
D. Accounts past due: 180 days or more	_____	_____
E. Total accounts delinquent over 60 days (should equal b+c+d)	_____	_____
F. Total Accounts (both current & delinquent should equal a + e	_____	_____
18. A. Do reported delinquent balances include real estate owned after foreclosure? ☐ Yes ☐ No.		
B. Provide number and amount of real estate owned after foreclosure.	_____	_____
C. Are real estate owned after foreclosures included in outstandings? ☐ Yes ☐ No		
19. Do reported delinquent balances include unearned finance charges? ☐ Yes ☐ No. If so, provide dollar amount.		_____

20. Do delinquent balances apply only to fully owned loans or to serviced loans also?
☐ Includes own receivables only ☐ Includes serviced loans

	MOST RECENT FISCAL YEAR SECOND MORTGAGE	
	NUMBER	UNPAID BALANCE ON LOANS

21. Foreclosures

A. Define foreclosure policy

_____

_____

B. Total foreclosures consummated during the fiscal year including property taken by deed.

1. Property taken by deed

2. Property taken through legal process

C. Foreclosed properties liquidated

D. Property sold, number

E. Property sold, dollar amount realized from sale

	MOST RECENT FISCAL YEAR SECOND MORTGAGE	
		AMOUNT

22. Charge-offs

A. Define charge-off policy

_____

_____

B. Gross charge-offs during fiscal year

C. Recoveries during fiscal year

D. Net charge-offs during fiscal year

23. Allowance (reserves for possible loan losses at end of fiscal year)

IV. Operating Policies

This data should be reported for the quarter ending with the end of fiscal year shown on the previous page. The data reported should relate to originated loans only, not purchased loans.

	MOST RECENT FISCAL YEAR SECOND MORTGAGE	
	NUMBER	DOLLAR
24. Number and dollar volume of second mortgage loans originated for personal, family or household purposes during quarter.		
25. Number and dollar volume of second mortgage loans originated for other than consumer purposes.		
26. Number and total dollar volume of second mortgage loans originated during the quarter (should be equal to sum of #24 and #25)		
27. Estimated percent of dollar volume consisting of "purchase money" second mortgages		
28. A. Number and dollar volume of private mortgage insured loans		

B. Define private mortgage insurance policy

_____

_____

29. With respect to second mortgage loans made to consumers:

A. Average ratio of loan to appraised equity: _____ %

B. Maximum ratio of all mortgages to appraised value of property: _____ %

C. Average written maturity of new loans - dollar weighted: _____ Months

D. Average actual maturity of new loans - dollar weighted: _____ Months

V. State specific data on outstandings and foreclosures

For each state in which you operate please record the following information: (if you operate in more than 3 states, please Xerox this page and provide information applicable to additional states on the Xerox copies).

		1	2	3
A. Name of state		_____	_____	_____
B. Second mortgage outstandings in state*	No.	_____	_____	_____
	Amt.	_____	_____	_____
C. Originations in state* during 1984	No.	_____	_____	_____
	Amt.	_____	_____	_____
D. Average APR for second mortgages originated		_____	_____	_____
E. Second mortgage delinquencies				
1. Number accounts delinquent over 60 days		_____	_____	_____
2. Dollar amount of accounts delinquent over 60 days		_____	_____	_____
3. % of related receivables outstanding		_____	_____	_____
F. 1. Number of foreclosures		_____	_____	_____
2. Dollar value of liens		_____	_____	_____
G. Foreclosed properties liquidated during 1984				
1. Total number		_____	_____	_____
2. Dollar value		_____	_____	_____
3. Property sold number		_____	_____	_____
4. Property sold value		_____	_____	_____

*Report outstandings and volume net of unearned interest if possible.

NSMA QUESTIONNAIRE DEFINITIONS

REPORTING PERIOD: Most recent fiscal year ending on or closest to December 31, 1984.

PREVIOUS YEAR: Fiscal year exactly one year prior to the reporting period.

GROSS LOANS RECEIVABLE: Includes all principal loan balances due plus precomputed finance charges (unearned interest income) associated with those loans.

NET LOANS RECEIVABLE: Includes only principal loan balances due, i. e., net balances receivable equal gross balances receivable less precomputed finance charges (unearned interest income).

VOLUME OF NEW LOANS: Value of receivables originated and purchased during the period.

NEW MONEY: Amount of new money disbursed.

BALANCES RENEWED: Preexisting balances refinanced.

AVERAGE NET LOANS RECEIVABLE: Sum of net loans receivable outstanding at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year. Alternatively, daily average figures may be kept, or this year's net receivables can be added to last years net receivables outstanding and divided by two.

AVERAGE BORROWINGS: Sum of total borrowings outstanding at beginning of each month (or quarter) during period divided by number of months (or quarters in the fiscal year. Again, daily average figures can be used, or the average of year-end debt balances can be provided.

AVERAGE STOCKHOLDERS EQUITY: Sum of stockholders' equity at beginning of each month (or quarter) during period divided by number of months (or quarters) in the fiscal year.

"PURCHASE MONEY" SECOND MORTGAGE: Second mortgage used to help finance the borrower's initial purchase of the mortgaged property.